By Haig Simonian in Deirnit, Richard Waters in Heur York and

Dalmler-Benz, Germany's biggest

industrial group, and Chrysler,

the US carmaker, were yesterday

on the brink of announcing a

merger that would create the

world's biggest link between two

The Chrysler board and Daim-

ler supervisory board were meet-

ing yesterday to approve the final stages for the deal to create a

massive industrial group cover-

ing every corner of the motor

industry. Some analysis estimate

the value of the combined com-

The transaction has already

Bank, Daimler-Benz's biggest

shareholder, and by Kirk Kerko-

dan, the largest shareholder in

Chrysler with almost 14 per cent.

Chrysler shareholders are

expected to be offered 0.56 of a likely partner.

Graham Bowley in Frankfurt

industrial companies.

pany at \$35bn.

German and US groups close to announcing the world's

biggest link between industrial companies in \$35bn deal

Daimler-Benz share for every

Chrysler share they own. The

ratio will alter to 0.82 of a

Daimler-Benz share once the Ger-

man group gains approval from

shareholders for the special divi-

dend announced recently, which

will reduce the stock's value once

The merged company is expec-

ted to have joint chief executives.

There will be joint headquarters

in the US and Germany. How-

ever, the group will be incorpo-

rated in Germany. That structure

means it will retain a German-

style board structure, with sepa-

rate management and supervi-

was received with astonishment

financial community. Although

Chrysler had been periodically

with other manufacturers, BMW

had been thought to be its most

rumoured to be in discussion

The news of the negotiations

it goes ex-dividend

sory boards.

been approved by Deutsche by other carmakers and the



Shares in both groups rose

sharply as financial markets

reacted positively to the news

Analysts said the merger would

give both companies access to

each other's markets and provide

scope for cost savings. Daimler-

Benz's stock climbed by DM14.95

Pakistan No turning back from privatisation

Business of Travel Airlines must offer more

than comfortable seats Survey

WORLD NEWS

Basques suspected in Pamplona killing and in plot against King Juan Carlos

A councillor in Spain's northern city of Pampiona was shot dead in his car, the lifth local official to die at the hands of suspected Basque separatist in a year. Police also seized documents said to include plans for an attack on King Juan Carlos at the opening of an aquarium this summer. Page 16

ian unrest bits markets indonesia's financial markets and currency fell as rioters looted and torched shops in Medan, sparking fears that the violence might spread across the nation. The Jak rta composite stock index closed 4.7 per cent lower at 414.6 points, a 16-month low. World stocks, Page 40; Currencies, Page 29

Sinn Fáin to back peace accords Sinn Fein, the IRA's political wing, indicated it would back the Northem Ireland peace deal and abandon its opposition to taking seats in a "pertitionist" government. Chairman Mitchel McLaughlin confirmed that the leadership would recommend a Yes vote north and south of the border. Page 16; assuring gunmen, Page 11

US and Ukraine to nuclear deal The US and Ukraine signed a deal to allow the former Soviet republic to import technology to revemp its troubled nuclear industry. It follows Ukraine's bowing to US pressure not to build turbines for a nuclear plant in kan. Page 10

London votes on having a mayor Condoners vote today on whether to have a mayor and assembly and every poll shows they will say yes. With a mandate from an electorate of 5m, a mayor would be responsible for transport, planning, development and police and fire

authorities. Page 11 Seoul and INF agree targets Monstery Fund agreed new macro-economic targets to include lower interest rates and a current account surplus, in spite of the limit contraction in economic growth in

Calledon to the same

The second second second

torial Comment, Page 15 Mise la German rightwing attacion A German report said rightwing violence had increased 25 per cent in the last year on the back of a

nearly two decades. Page & Edi-

sizge in electoral support. Page 3-74 die on Peru oilfield flight Rescuers said 74 people died but 12 survivors were found in dense Amezonian jungle after the crash o a Peruvian air force jet chartered by Occidental Petroleum to fly oil

withdrs to a field near Ecuador. Former That PM dies in London Former Thai prime minister Chatichel Choonhavan died in a London hospital of liver cancer, Page 8

Pakistan privatisation push Pakistan's prime minister Nawaz Sharif ordered the country's privatisation commission to speed up

Drives to develop Labor Leaders of South Africa, Mozambique and Swaziland launched a rogramme to attract investment in erit or entitudings bins material

unspolled Lubombo coast. Page 6 sem left \$300m art collection A collection of 85 works by Picwan, Matisse, Modigliani and other European mesters, valued at \$300m, has been bequeathed to the New York Metropolitan Moseum of Art by Netesha Gel-

BUSINESS NEWS

Renault and Fiat plan new force in European bus and coach market

Renault VI and Iveco, truck and bus units of France's Renault and Flat of Italy, are to merge their coach and bus activities to create a powerful force in the fragmented European market. Page 17

Philips, Dutch electronics group, sald it was "evaluating various strategic options with respect to it stake" in PolyGram, the world's largest music company. Page 18; Lex, Page 16

Salomon Brothers and Chase Manhattan, US investment banks, may move large parts of their derivatives business from the London international Financial Futures and Options Exchange to the Deutsche Terminbörse in Frankfurt.

Krupp, German steel and engineering group that is merging with Thyssen, expects a sharp rise n profits this year. Page 18

Générale de Banque, Belgium's biggest bank, is stepping up efforts to find a "white knight" bidder as an alternative to the proposed merger with Belgo-Dutch financial services group Fortls. Page 17

Liberty Life and Standard Bank Investment ended merger talks which would have created South Africa's largest financial services

Kirch, German media group, sed reports that it faced a

Commercial Union and General Accident, UK composite insurers. had their £14bn (\$23bn) merger plan approved by the European Commission, Page 25

OM, Sweden's derivatives exchange, is to launch a futures contract based on the 10-year Sweden government bond.

conglomerate, plens to concentrate vices in an attempt to cut its debt

PLDT, Philippines telecoms group, is seeking a foreign partner to dilute its mejority stake in Piltel, its ailing celtular phone subsidiary.

Philippine experts rose 23,6 per cent year-on-year in March to

rates fell to a record low, partly due to gloom about the depressed economy. Page 8.

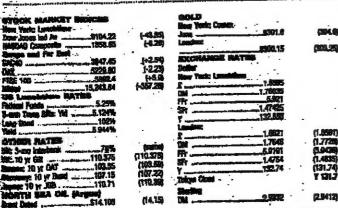
AMP. Australia's largest insurance and fund manager, expects a mar-ket capitalisation of more than A\$13bn (\$8,7bn) when it lists on the Australian and New Zealand stock exchanges on June 15. Page

17; Priority plen, Page 19 Whithread, UK brewer, reported pre-tax profits at the top end of ions and said it would create 5,000 jobs in its pube, restau-

spendig a for straight in encountry of a phone

Page 35

WORLD MARKETS



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Daimler and Chrysler near merger

group. Page 18; Lax, Page 16

financial crisis. Page 18

seung, South Korean

\$2.47bn, government figures show.

we long-term market interest

rants and hotels. Page 25 Bi Lilly chairman Randall Tobias, credited with turning round the US pharmaceuticals company, is to netire. Pege 22

World Equity Markets

Danish government acts to end strike

detaine Albright, at the FT yesterday, preised Banjamin Note

being Treightul and constructive' at the London talks. Picture Ashley Ashwood

By Hillary Rarges in Copenhages

Denmark's centre-left governa strike which has crippled the manufacturing, transport and construction sectors and may burt the chances of Danish ratification of the European Union's Amsterdam Treaty.

Poul Nyrup Rasmussen, prime

About half a million workers strike have been on strike or locked out dnce April 27 in what has turned into Denmark's most serious abour conflict for 13 years. The government put forward

egislation, which is scheduled to ers' Association in March. be rushed into law today, imposing a settlement on the labour market and making the conflict would run into a third week "and

punish the government by voting award.

would be able to distinguish ratify the Amsterdam Treaty for ment for the legislation.

it to take effect. Danes threw a spanner in the RU's works in 1992 when they voted against the ment intervened yesterday to end Maastricht Treaty. They later reversed their verdict.

The strike has stopped all flights to and from Copenhagen's international airport and halted deliveries of petrol to service stations, which is gradually "We face a grave situation, causing road transport to come to which calls for action now," said a halt. Some hospitals have suspended operations because cleaning personnel are on

> The conflict began after a ballot of trades union members rejected a two-year deal agree Trades Unions and the Employ-

The government's solution is within the cost framework of the original agreement - about 4 per illegal from midnight tonight cent a year. But workers will Mr Nyrup Rasmussen said if it have the right to two extra days cent a year. But workers will were left to unions and employ-off a year, and parents of chil-ers to find a solution, the conflict dren under 15 will have the right to three "care" days off a year. this would be irresponsible and . This is one more free day and two more "care" days than the The strikers have threatened to employers were prepared to

against ratification of last year's Employers' contributions to Amsterdam Treaty on closer employee pension funds will rise European integration if their by less than originally proposed, demands are not met.

However, Mr Nyrup Rasmussen said he was sure that Danes
would be able to distinctive

would be able to distinctive

"""

and an annual sickness tax of
DR:325 (348) per employee paid
by employers will be dropped. "The settlement is cost-

between the strike and the EU neutral," said Mr Nyrup treaty when they vote on May 28. Rasmussen, whose government is All 15 EU member-states must assured of a majority in parlia-

CONTENTS

World News 2-9 UK News 11 Features 26 Comment & Analysis 12,13 Companies & Finance 18-25 World Stock Markets 36-40

Full contents and Lost back page

or 8.4% to DM193.40, while Chrysler's shares stood at \$48 up \$64 by early afternoon in New York. The prospect of a link between Daimler-Benz and Chrysler could Dec 97 prompt further consolidation in the world motor industry, in advanced nature of the negotia-tions, both sides stressed in a which profits have remained other business areas led to huge under pressure because of overstatement yesterday that no

J T Battenberg, president of Delphi, the world's biggest car agreement had been reached and gave no assurances that a merger components group, said: "I think it's going to continue. The preswould in the end take place, Difficulties hindering the possisures on the industry are intense. ble tie-up might lie in fusing the two very different cultures. The consumer is seeing price reductions for the first time in Daimler has largely abandoned attempts to expand outside the years and there's a tremendous transport market after diversifi-

Daimler-Benz was being advised by Goldman Sachs.

which was also involved in its recent attempts to gain control of Rolls-Royce Motor Cars in the UK, and Deutsche Bank. Chrysler was being advised by CSFB.

cation earlier this decade into

Albright warns of last chance for Oslo accords

Secretary of state says Palestinians need to 'put flesh on their dreams'

By David Backen sad David Gardner in London

need to reduce costs."

In spite of the apparently

invitation to Israeli and Palestinian leaders to visit Washington pext week was the last chance to save the Oslo peace accords. If the meeting failed, "a different tack" would be tried.

In an interview at the Finanthat after two days of talks in London with Yessir Arafat, the Palestinian leader, and Banjamin Netanyahu, the Israeli prime minister, she had given the latter time to try to sell a package of US propositions to his cabinet.

Having already secured Palestinian approval of the package, she made clear that the invitation to the Washington summit was "conditional on [Mr Netanyahu] accepting the ideas". If he accepted, President Bill Clinium would then launch the "final status" negotiations for which Israel has been pushing, she said.

excuse for this because of Mr accept certain conditions that are The US said yesterday its tion in his cabinet" - the US sovereign country." would ditch the step-by-step approach of the 1993 Oslo

because of the importance of Israel and the Arab world to US Middle East last month. cial Times, Madeleine Albright, national interests. But if Mr ected the US 10 "we will have to re-examine the different tack".

course the US might propose, but much more secure if it can get it is clear Washington would not along with people who are living shy away from publicly apportioning blame for the collapse of the five-year peace process. On his return to Israel, Mr

Netanyahu showed himself prickly about appearing to be going to Washington under duress. Asked if rejecting the US invitation was even an option, he told Israel's Army Radio: "Possibly...I am ready to go, that's If he baniked - and Mrs not the problem. But if they [the

Albright made clear she saw no US] tell me I have to go and

In her interview, Mrs Albright praised the Israeli prime minister accords. for being "very helpful and con-The US would continue to try structive" in the London talks, to broker Middle East peace set up when Tony Blair, the British prime minister, was in the

But she added that Mr Netan-[his cabinet] of what we are all way we go about it and take a persuaded, that while Israel's security is obviously for Israel to She refused to say what new decide on, a nation is inherently other [Arab] neighbours".

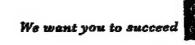
The problem now was the size of Israel's next withdrawal from the West Bank, Mrs Albright said. The Palestinians needed progress before entering any decisive negotiations "to put flesh on their dreams".

Palestinian official resigns, Page 4

This amountement appears as a matter of record only

Management **Buy-out of** Nurseries £30,000,000

Led, negotiated and equity capital provided by 3i plc



All through pictural Mighty are regulated in the constant of investment instances by the FSA.

Dutch premier set for election victory

Wim Kok appeared well placed for a second term as Dutch prime minister vesterday, with voters in a general election expected to have reinforced the position of his Social Democrats as the larg-

est party. But his ability to continue with the current three-party coalition - which has won international praise for its economic achievements was looking less certain. Exit polls indicated that

By Gordon Cramb in Amsterdam the reformist D66, the junior partner, would end up with was projected to add nine that was what voters the winner of the final teleas few as 13 seats, nearly halving its parliamentary strong lower house. Its other presence and putting it on partner, the free market the border-line of what the party itself said would be enough for it to remain in MPs by six. ministerial office. Still, this was higher than the worst

> On Tuesday night Mr Kok made an implied plea for D66 supporters not to desert their party, saying its contribution to his government had been important.

German relations which

nearly derailed last week-

end's launch of the Euro-

Just before leaving for a

bilateral summit in Avignon,

Mr Kohl, defended the two

countries' ties as "good but

Franco-German relations are

endangered. They are just

facing new problems," the

chancellor said shortly

before leaving Bonn. Rela-

tions between the two coun-

tries had "always been a pro-

cess of give and take and

In advance of the meeting

President Chirac's spokes-

in the two countries' ties:

marked by difficulties".

pean single currency.

always complicated"

seats to its 37 in the 150-VVD of Frits Bolkestein, was on course to increase its 31

The Christian Democrat CDA, the main opposition party and chief loser in the last election in 1994, was down a further six from 34. Paul Rosenmöller, leader of the environmentalist Green Left, said yesterday

ECB BATTLE AVIGNON SUMMIT WILL TRY TO HEAL DIFFERENCES

wished. It will more than vised debate of the campaign double its representation on Tuesday night. That from five to 13, according to the initial indications.

The process of forming coalitions takes a long time in the Netherlands, as partners seek to merge their election manifestos into a single document determining how state finances will be deployed. In 1994 it took about four months before the latest coalition was his party was ready to join formed.

came in spite of attacks from Mr Bolkestein, who accused him of funding campaign promises on credit, and by Mr Rosenmöller, who said he

rich and poor to widen. The premier was also under fire for the shortened term of office he had secured in Brussels last weekend for the Dutch banker Wim Duisenberg as first head of the

had allowed the gap between

The prime minister's party the political mainstream if Mr Kok had been adjudged European Central Bank Bolkestein as an "ugly compromise" and by Mr Rosenmöller as a "travesty".

However. Jaap de Hoop Scheffer. CDA leader, failed to land any good blows, and voters polled on the debate gave him the lowest marks. Having positioned his party to the left of Mr Kok on social security issues while maintaining a tough law and order image, he had to defend its policies on both

NEWS DIGEST

SPANISH UNEMPLOYMENT

Strong economic growth cuts jobless rate to 19.6%

Spain's jobless rate, the highest in the European Union, has dropped below the 20 per cent mark for the first time since 1992, according to quarterly figures from the national statistics institute. The tall in the first quarter, to 19.63 per cent from 20.03 per cent in the last period of 1997, is a reflection of strong economic growth now estimated to be running at an annual rate of more than 3.5 per cent.

The figures – which show the number of unemployed falling by 120,000 to 3.17m, almost 270,000 fewer than a year earlier followed a prediction by José Maria Aznar, the prime minister, that Spain's abnormal jobless rate could "disappear" in

The quarterly estimate is considered to overstate the real level of unemployment in Spain, but is regarded as the best

Cristobal Montoro, state secretary for the economy, said growth was translating into new jobs "as never before". On sisting trends the country could reduce the jobless rate by 1.5 percentage points a year, he added. Trade unions warned against complacency. David White, Madrid

GERMAN POLITICS

CDU revises policy blueprint

Germany's Christian Democrats yesterday tried to heal a recent rift with their Bavarian sister party by publishing a revislon of a controversial policy blueprint. The document, to be adopted by a CDU party congress in Bremen this month, toned down proposals for higher energy taxation, making clear that a "go-th-alone" policy in Germany would be dames-

The paper, largely written by Wolfgang Schäuble, Chancelfor Helmut Kohl's designated successor, also incorporated a tougher line on law and order that is likely to appeal to the Revarian Christian Social Union (CSU).

It now calls for the repatriation of foreigners convicted of crimes in Germany, while its theme of "zero tolerance for law breakers and acts of violence" echoes the policy of Theo Wal-

gel, German finance minister and CSU leader. Mr Schäuble said the document's main purpose was to underline society's need to adapt to globalisation and to explain why Germany had to tackle problems after 16 years of government by Mr Kohl. The proposals will be debated with the CSU to produce a joint election platform, possibly in June. Peter Norman, Bonn

EUROPEAN CRIME

EU defrauded of Ecu1.4bn

The European Union was defrauded of Ecu1.4bn (\$1.5bn) last year, according to official figures released yeaterday. More than 5,000 cases were detected in 1997, up from 4,552 cases worth Ecu1.3bn a year earlier.

The European Commission said part of the increase in reported cases was explained by "the huge efforts put on improved efficiency in detecting and preventing fraud". It added that the EU was the target of international crime syndcates. "About 50 crime syndicates have been identified in the course of large-scale investigations."

Cigarette amuggling alone accounted for Ecu1.6on in lost duties and taxes last year. A quarter of this was a loss for the EU, with the remaining loss being borns by national governments. Fraud linked to the common agricultural policy was down 13 per cent. Samer Iskandar, Brussels

LATVIAN CITIZENSHIP

Naturalisation terms to ease

Latvia's government yesterday moved to defuse tension with its Russian minority when it approved draft amendments to the county's citizenship law, easing requirements for the naturalisation of children of the Beltic state's 650,000 non-citi-

The government hopes these amendments will speed up the integration of 28 per cent of Latvia's population who are non-citizens. The vast majority are ethnic Russians who have refused to apply or falled to quality for citizenship since Latvia regained its independence from the Soviet Union in 1991. If the amendment is approved by perliament, citizenship will Rise in attack is a

extreme region

by German

HAND THE WAR STATE OF THE STATE

be granted to children born in Letvie after August 21 1991, provided their parents have lived in the Battic country for at least five years. Children born after that date can also claim citizenship until

the age of 16, provided they have completed studies in a Latvian language secondary school or passed the Latvian language exam. Matej Vipotnik, Vilnius

TURKISH HEARING

Ciller's husband sentenced

former prime minister, guilty of misleading a parliamentary commission investigating the couples' wealth. The Anatolism news agency said the court convicted Ozer Ciller and sentenced him to five months in jali, but commuted the prison term to a fine of just TL1.9m (\$7.50), suspended for five

Mr Citier was found to have presented a parliamentary conmission with false translations of documents about the Citiers'

FRENCH NUCLEAR WASTE

Railway suspends shipment

France's state railway company yesterday suspended transportation of nuclear waste to a reprocessing plant after a report that trains had been contaminated by radioactivity-SNCF said it asked the nuclear safety board to advise on

Lionel Jospin, prime minister, reacted yesterday by calling for France to quit the nuclear power industry. Its hardline comments may increase the discomfort of Dominique Voynet, the Green environment minister.

stations account for about three-quarters of electricity production. David Owen. Paris

Floods leave 17 dead

At least 17 people were killed and about 50 were missing yesterday after tomential rain drove rivers of mud and rocks through towns in southern Italy, sweeping away cars and destroying houses. The Interior ministry said that some 800

Nordic states split on

By Tim Burt in Floro, Norway

EU ties

The Danish government's intervention yesterday to end the country's national strike, which is likely to increase the difficulties in ratifying the European Union's Amsterdam treaty, comes within the context of deep divisions within Nordic countries over closer ties

with the EU. Although Denmark has vowed to remain outside the single currency, the government is determined to secure a solid Yes vote on May 28 in favour of the Amsterdam treaty on closer EU ties.

Poul Nyrup Rasmussen. prime minister and a former trade union economist, has made it clear that a No vote on the treaty would severely damage, if not sink, Denmark's influence within the

"He has been caught in an impossible situation," one senior Danish economist said yesterday. "If the Danes reject Amsterdam it would represent an enormous setback for our EU relations."

While wanting to secure a Yes vote. Mr Rasmussen admits that Euro scepticism in Denmark means he cannot vet risk a referendum on

joining the euro. His dilemma reflects the widely differing attitudes to the EU not only in Denmark but elsewhere in the region. Sweden is also split on EU integration, and has vowed to abstain from the first wave of economic and mone-

tary union. Göran Persson, prime minister, says the Swedes are simply not ready for the single currency. Opposition politicians such as Carl Bildt reject that view, but Mr Persson will not commit Sweden to the euro - at least not before September's parliamentary elections.

Leading companies in Swe. den, the region's largest economy, are not prepared to wait. Manufacturers and exporters are already considering plans to switch invoicing and accounting to the euro from January 1999.

The prospect for Sweden is that it could be dragged into the euro by corporate rather than political willpower," said one Stockholm

With Norway remaining defiantly outside the EU, it has failen on Finland to become the standard-bearer for the Nordic region in the

Paavo Lipponen. Finnish prime minister, said Finland did not want to be seen as the Nordic champion in Brussels. But as a founder member of the single currency and with a board seat at the European Central Bank, it may have to assume that role reluctantly.

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CREDIT LYONNAIS DISPUTE IS OVER AFTER CONCESSIONS BY PARIS ready to clear French bank aid

weekend's EU summit in is all but certain to approve Brussels and an intervention by Jacques Santer, president of the Commission. "The offers made by the month after the French gov- French side are sufficient to

ernment agreed to new sacri- consider a positive position," said Mr Van Miert. At the start of April, Mr Van Miert gave the French noon during a visit by Domi- government one month to come up with new concesfinance minister, to Karel sions. Otherwise, the Commission would rule on the

case regardless, and, given five weeks of bitter disputes the lack of information, would probably veto the aid. An official yesterday said The deal now within reach the Commission was now outside France.

is the result of extensive waiting for the French govtalks on the fringes of last ernment to submit the agreed proposals in writing. The deal would be cleared at the Commission's regular French government argues weekly meeting on May 20, are essential for the bank's on Mr Van Miert's recommendation. Mr Van Miert may also be allowed to keep mission official said yesterinformed his colleagues of the French government's latest proposals at yesterday's weekly meeting.

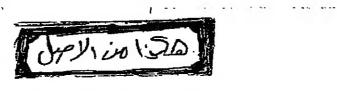
in exchange for the Commission's approval of an esti- French branches. mated FFr100bn of government aid, the French state-owned bank will sell FFr620bn of assets. These comprise most of Crédit Lyonnais's European assets

However, the Commission can activities. agreed the bank could keep its London and Luxembourg operations, which the its Frankfurt-based activities, but will have to sell its more, no less." German subsidiary BfG. The bank would also sell an approved a FFr45bn aid undisclosed number of package on the condition

will be matched by sales of Commission insisted on douan equivalent amount in bling the disposals after it Asian assets - such as bank- emerged that the extent of ing operations in Hong the bank's accumulated Kong, Singapore or Tokyo - losses would result in a

Earlier French suggestions that asset disposals could include sales of loan portfolios to other banks have been shelved. "We are viability. Crédit Lyonnais talking hard assets," a Comday. "FFr620bn of assets, no In 1995, the Commission

that Crédit Lyonnais sell The exceptions, however, PFr310bn of assets. The and possibly North Ameri- much larger aid package.





Kohl-Chirac moves to calm bank row By Robert Graham in Avignon and Peter Norman in Bonn "The motor is solid and estag, the lower house of parliament, yesterday, Mr working." But officials in both camps Kohl said a difficult theme President Jacques Chirac yesterday were clearly taken in Avignon would be the Franco-German and British and Chancellor Helmut Kohl aback by the extent of the vesterday signalled their efforts to create a European criticism directed at both aerospace industry to commen for their behaviour at determination to paper over the differences in Francothe Brussels summit, which pete with Boeing and McDonnell Douglas of the

of the European Central Bank. As a result the Avignon meeting, which began last tions in their institutional night and continues today, and historical context. The was was thought likely to two nations had very differbecome a damage limitation exercise to prop up the pres-

was overshadowed by the

wrangle over the presidency

"It is not true that the tige of both leaders. Part of the agenda will joint position at the forthcoming G8 summit in Bir-mingham. The French will also be trying to convince the Germans that they are right to be critical of plans by Leon Brittan, the European trade commissioner, for person also shrugged off talk an EU-US free trade area in of tensions and a breakdown

US "and I don't know how far we will get." He appealed to parliament to view Franco-German relaent traditions of government and very differently trained

France, with its central-





MEPs reassess

censure threat

Bankers expected to delay interest moves

The row between France and Germany over the nomination of the Dutch banker central bank to establish Wim Duisenberg as head of the European Central Bank has not changed interest rate expectations in the financial markets, despite initial fears that interest rates could go up across

International investors to make serious efforts to converge their interest rates until after the summer

above the German and French securities repurchase rates of 3,3 per cent.

After the controversial European Union summit in Brussels at the weekend. some analysts had predicted

A coal miners' strike in

Ukraine to protest at cuts in

subsidies to the industry.

grew yesterday to involve 48

mines and more than 100,000

miners. The dispute, which

began on Monday, initially

The strike will mar

Ukraine's effort to showcase

its economic reforms on the

eve of next week's economic

conference in Kiev hosted by

Reconstruction and Develop-

The European Commission

an estimated FFr100bn

(\$16.9bn) aid package for

Credit Lyonnais later this

fices by the troubled bank.

The understanding.

reached on Tuesday after-

nique Strauss-Kahn, French

Van Miert, European compe-

tition commissioner, ends

between the Commission

involved 34 mines.

ment.

take "revenge" on politi- ing consensus that the the impression of political interference would make it more difficult for the new

"If they moved now [on interest rates], they'd look like a bunch of children who have been beaten up on the playground," said one fund manager. "This is not the Bundesbank. They may and economists agree that make mistakes occasionally central banks will not begin but they do take their

responsibility seriously."
The Bundesbank is to hold its next central bank council meeting, at which it usually On Tuesday the Bank of discusses monetary policy Spain cut its key short-term and interest rates, next rate from 4.5 per cent to 4.25 Thursday However, the Gerper cent, a rate that is still man central bank is due to almost 1 percentage point publish its annual accounts on that day, and is therefore unlikely to take a decision on interest rates.

Most forecasters are looking for a rise in German interest rates of 0.2 or 0.25 percentage points at around that central banks might July. There is also an emerg-

Last month the Ukrainian

finance ministry cut overall budget expenditures by a

third in an attempt to qual-

ify for a three-year \$2.5bn

loan from the International

Monetary Fund, which could

be signed as early as July.

The government hopes to

use the EBRD meeting, to be attended by 2,900 delegates,

as a forum to announce fur-

ther plans. Coal subsidies, one of the

most sensitive political

issues in Ukraine, were

slashed by about a third

cians. Others predicted that short-term rate at which economic and monetary union will be launched on January 1 will be less than 4 per cent.

Thomas Mayer, economist at Goldman Sachs, is forecasting a year-end rate of 3.8 per cent. This would imply that German and French interest rates would have to rise by 0.5 percentage point, while Spanish rates will way they do business at the have to decline by 0.45 percantage points. "These rates are too low

> for Ireland, Finland, Spain and the Netherlands, and too high for France. We might see asset bubbles in some of the countries, but not necessarily inflation in the prices of tradable goods," he said. Alison Cottrell, international economist at Paine-Webber believes the earliest Duisenberg if he will step of the European Commission time for a German rate rise

is the summer. "They will give the Italians some time for easing. On domestic grounds they could wait until September," she said. Editorial Comment, Page 15

cutting effort. Past attempts

by the government to cut

coal subsidies have caused

situation of near collapse in the coal industry," said Mik-

the Independent Union of

that the government pay

wage arrears. The amount

from last year's level of an average of 10 months' duction uneconomic in much

The miners are demanding

Ukrainian Miners in Kiev.

"This will only worsen the

similar strikes.

\$800m as part of the budget- back pay.

hail Volinets, spokesman for will make meeting the min-

owing grew by 1bn hryvnia the country's prolific coal

(\$500m) last year and now reserves have been seriously

totals some 2.1bn hryvnia, or depleted, making coal pro-

By Liocei Barber in Brussels

The European parliament is backing away from threats to register a vote of no confidence in the appointment of Wim Duisenberg as president of the European Central

Despite universal distaste for the weekend deal which saw Mr Duisenberg agree to serve a shortened term in office, MEPs are aware that a vote of censure could trigger a crisis of confidence in mous" dissatisfaction with the launch of the single cur-

MEPs will grill Mr Duisen-

berg and the five other appointees to the ECB board at hearings over the next two days. Parliament has no formal power to block the deal but intends to ask Mr down in the event of a vote of no confidence. Crucially, however, the full parliament will consider the Duisenberg nomination

The miners also want to

increase real wages to the

level they were at during the

Soviet era. In real terms,

wages are now only 30 per

Falling subsidies, however,

ers' demands nearly impossi-

Coal mining used to be

one of the most important

industries in Ukraine. But

cent of their 1990 levels.

as part of a package. This makes it impossible to single out one nominee without

six ECB appointees One official close to the internal discussions over how to handle the ECB hearings said there was "unanithe procedure for selecting the ECB board, but that parliament had in the past maintained its sense of

sinking the whole board.

are weighing a resolution

which would express disap-

proval over the deal bro-

kered early on Sunday morn-

ing at the European Union

summit in Brussels, which

selected the founder mem-

bers of the euro zone and the

Senior parliamentarians

responsibility. Four years ago MEPs expressed outrage over the deal which saw Jacques Santer nominated as president after Britain vetoed Jean-Luc Dehaene, prime minister of Belgium. But Mr Santer was confirmed by 20 votes.

The full parliament will vote on the ECB appointments by simple majority Strike mars Ukraine's image of reform

About 40 per cent of

Ukraine's 240 mines are loss-

making, and production has

fallen by more than half

work in extremely hazard-

ous conditions. So far this

year 166 have been killed in

accidents, including a fire in

the Skochinskoho mine in

the Donetsk region which

killed 63 workers in April.

Two more miners were

killed yesterday in an inci-

dent in Luhansk, in the

north-east of the country.

Miners are also forced to

A Turkish court yesterday found the husband of Tansu Çiller

ownership of property in the US. Reuters, Ankara

potential risks to staff. The Green party, a junior partner in the ruling coalition of

France is highly dependent on nuclear power for its electricity output, having embarked on a massive build-up in the wake of the oil shocks of the 1970s. Nuclear power

ITALIAN DISASTER

people were without homes.

The hardest hit towns were Samo, Quindici and Slano, in Salerno and Aveilino provinces. Reuters, Naples

Ciampi defies odds on monetary union

Carlo Azeglio Ciampi, Italy's treasury minister, has this week achieved his long-held goal of getting Italy accepted as a founder member of a single European currency.

Over the last few days attention has focused on the squabble between France and Germany over who should be the leader of the new European Central Bank It is a tussle in which Mr Ciampi, along with his Italian colleagues, has been largely a spectator.

However, his achievement in getting Italy accepted into Emu - an ambition he has harboured for nearly a decade as central bank governor, prime minister and now as Treasury chief - is no less historic than monetary union itself.

Even 18 months ago few people thought this ambition achievable. Its achievement marks a turning point for an Italian government soon to celebrate its second birth-

Now the 77-year-old technocrat, the most internationally respected member of Romano Prodi's government, is looking to his next challenge: sustaining the improvement in the public finances, while reducing the country's high unemploy-

Sitting in his spacious office in the Italian Tressury not even close to giving up

Asked what Italy's economic post-Rmu strategy would be, his tone was dry: "Continue on the path we have been following."

There will be concern over whether the Italian governratio of public debt to gross domestic product. But with ents for future reductions in vate and public sectors. the debt burden - low inter-

achieved to get into the euro took place while there was to politicians. "In the end it considerable stagnation of is the politicians who must the economy," he said. "Now we hope to have a growth rate that is similar to that in

other EU countries." He is confident the country's powerful trade unions have acknowledged the need to continue with budgetary restraint. "They understand what needs to be done and do the right thing for Italy.

AX 400

material terms to the



why it needs to be done They won't make trouble." Regenerating the underdeveloped south, where Italian unemployment is heavily concentrated, is perhaps the biggest task on the govern-

ment's agenda. Emu membership means keeping a tight grip on pubbuilding this week, Mr lic spending, and this means Ciampi looked like a man that cash for public sector infrastructure projects is

Mr Clampi says that L6,000bn (\$3.4bn) of public money is available for infrastructure development, a figure that appears low given the poor state of the south. But he believes the strength ment can keep reducing its of the northern economy and recent growth in the Italian capital market should genertypical confidence. Mr ate projects that can be Ciampi insists the ingredi- jointly financed by the pri-

What of the country's est rates, tight control over political future? Mr Clampi public spending and faster acknowledges that the time growth - are now in place. will come when technocrats "You have to remember like himself - admired by start running things once

> who knows that technocrats cannot go on serving up tough political medicine to the public. But it is the tone. too, of a man who has seen politicians repeatedly fail to

Kosovo adversaries dig in for final showdown

Wary of a protracted guerfilla war in its southern province, Belgrade is preparing a full-scale offensive, writes Guy Dinmore

through binoculars. Up on executed. About 30 women the bare hills and ridges, Serb police are reinforcing sandbagged checkpoints and

bringing in heavy weapons. low-level war in Serbia's reswipe out separatist rebels in

Western military observRosovo's 2m people.
An overwhelming majority ers say Belgrade's military knows no other way. Their training is woefully ineffective," said one diplomat. out of it and send in the nas-

.This was the approach used by special police forces against strongholds of the

timic Albanians in the region of central Kosovo in freely at night and is mountvillages of Kosovo are late February and March. In regular raids on exposed digging trenches, smugFarmsteads were razed and, and poorly constructed Ligging trenches, smug-gling in arms and food and according to diplomats, some police posts. The federal peering at the enemy captured Albanians were army has only about 50 heliand children were among the dead. Lacking the money and

means, Belgrade cannot afford to fight a protracted guerrilla war. Neither the tive southern province has mainly conscript army nor reached a military stalemate, but it appears interior counter-insurgency. They ministry forces and the fed- lack night-fighting equiperal Yugoslav army may ment and their intelligence soon launch a full-scale is limited in a hostile envioffensive in an attempt to ronment, where ethnic Albanians, in tightly knit clans, make up about 90 per cent of

machine, weakened and seek independence from demoralised by the wars that Serbia, a demand that finds broke up former Yugoslavia, no support from any govern-

The army says it has ambushed armed groups "Their concept of tactics is bringing weapons over the like Bosnia, blow the hell mountain range marking the mountain range marking the formidable 100km border with Albania. But experts say the frontier is impossible

to seal.
The KLA, which may be

copters, and some of them have never moved. If the KLA starts laying mines along unprotected roads at night then, as one diplomat said, "the whole place will

come to a juddering halt". Armed villagers, not formally a part of the KLA, are providing valuable shelter and logistics. Quoting Mao Zedong, China's revolution-ary leader, the diplomat commented: "The KLA are like a fish in water."

If Slobodan Milosevic, the federal Yugoslav president, defies warnings by the international community and goes for the all-out military option, he risks exacerbating divisions within the federal army and police.

Western governments future investments in Serbia by a threatened deadline of May 9.

osevic and Momcilo Perisic, the army chief of staff, are

missal have circulated in encouraging the Albanian Belgrade for months.

The general caused storm in January when he suggested that the future of them in a possible war," prothe army lay in co-operation with Nato and its Partner- paramilitary leader during ship for Peace programme. Many officers are bitter that Mr Milosevic's more trusted interior ministry forces have been beefed up at the expense of the army, which cannot even afford to pay its foot soldiers.

Recent comments by Serb officials have indicated that a big offensive is planned.

n the provincial capital Pristina, Veljko Odalovic, the Serbian governor of Kosovo, said the goal of the Kosovo "terrorists" was to move the Albanian border eastwards, linking it with the nearby region of Decani and then the central Drenica

"We are in position to prevent that, to use serious force to eliminate the danger would also be bound to block to our border and our territory," he said. "No price is

too high to pay." Nationalist rhetoric car-Relations between Mr Mil- ried on state media has pre-

reckoning of accounts. shadowy Kosovo Liberation able to muster a core of poor and rumours of Gen "Some western powers Army (KLA) in the Dremica about 500 fighters, roams Perisic's impending dishave constantly been

separatists openly to start a very well what is in store for claimed Vojislav Seselj, a the wars in Bosnia and Croatia and now a deputy prime

Diplomats expect a village by-village assault by special provides logistical support and rearguard cover along the border. Most Serbs have fled rural areas while Albanians have evacuated many women and children. None theless, the death toll -already exceeding 130 this year - is likely to soar if the KLA and village militia try

to hold their ground.
"Defending villages against an army prepared to use any amount of force is suicide," commented one western military expert. "If they try to defend traditional areas they will die, as the Serbs are prepared to use total, maximum force." A policeman was shot

dead and two seriously wounded in an attack in the mining town of Kosovska Mitroviva yesterday. Serb officials said one "terrorist"

THERE ARE 29 NAMES FOR HOUSE IN DUTCH

THERE ARE 17 NAMES FOR RUNNING WATER IN CZECH

THERE ARE 7 NAMES FOR CHILDREN IN JAPANESE

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EXPERTISE IN EVERY LANGUAGE

Rise in attacks by German extreme right

Violent rightwing attacks in Germany bave increased by 25 per cent in the last year on the back of a surge in far-right support, an official government report stated

Some 11,700 rightwing criminal attacks were reported in 1997, from 8,700 a year earlier.

The annual report from of Germany's constitution comes less than two weeks after the far-right German per cent of the vote in a regional election in Saxony-

Manfred Kanther, the interior minister, called the rise of the DVU "extremely unpleasant" but said that while it was essentially a political group, rather than a terrorist or criminal organisation, he had no grounds to

outlaw it. "We will continue to fight extremism on the far right and the far left," he said. "And we will win. But these groups must be beaten politi-

cally, at the ballot box." Mr Kanther said the rise in far right support, up 7 per cent from 1996 to around 48.500 supporters, was action against rightwing mainly in the east of the

higher levels of support there, although not necessar-ily this year's sudden surge

in crime, he said. The report also noted the rise of the skinhead music scene, with what it felt was an inflammatory influence.

Of the 48,500 far-right sup-porters, 7,000 were identified the office for the protection was these people that we of Germany's constitution saw on May 1." said Mr Kanther, referring to a far-right National Democratic People's party (DVU) took 13 party rally that turned to violence in Leipzig, and other violence in Berlin.

The report also noted still-high levels of support in the country's former communist east for the extreme left. Mr Kanther said this support was mainly among older people, protesting against their living conditions.

While promising no let-up in police action against criminal extremists, Mr Kanther announced an extension of education programmes and publicity campaigns based around tolerance and democ-

The opposition Social Democratic party yesterday called for tougher police

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Emerging markets 'winning record inflows'

inflows of equity capital to this year to a net \$221.3bn investments of \$16.9bn. emerging markets are likely from \$232.6bn in 1997. Of this to reach record levels this a record \$149.3bn would tion in private capital flows last. financial crisis can expect no year. net inflow of private capital.

flows to the emerging mar- year. after pulling out but far below the \$107bn of

The institute, a Washing- land and the Philippines - moderately by \$5bn to equity finance "is a healthy broadly steady at about Brazil. Banks were expected ton-based association of would continue to suffer as \$167bn this year. financial institutions from banks pulled out resources.

Bank lending to all emerging market about \$18bn, in part due to have been very strong short.

The Institute of Sale interest rates.

The Institute of Sale interest rates. expected all private capital withdraw a net \$19.8bn this from about \$4bn to \$12bn, economies."

year, but the five Asian come from equity invest- to China from \$84bn last But equity flows would The five troubled Asian lending declining.

an estimated net \$60bn investment is expected to year and inflows of \$61.9bn It also forecast a modera- this year, down from \$80bn moderate from \$122.9bn to in 1996. This year's fall was

economies most troubled by ment. up \$1.6bn from last year to \$48bn, with both rise modestly to account for lower foreign direct investequity investment and bank about two-thirds of all pri- ment in China, which was term claims. pet inflow of private capital, the five troubled Asian lending declining.

The five troubled Asian lending declining.

Vate flows. According to expected to decline to from the institute's standard control of the five troubled Asian lending declining.

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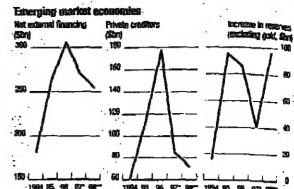
Vate flows. According to expected to decline to from the institute's standard control of the five troubled Asian lending declining.

Vate flows. According to expected to decline to from the institute's standard control of the five troubled Asian lending declining. development for the \$70bn, buoyed by substantial to fund part of its privatisa-

kets of Asia, Latin America, \$26.9bn last year, but this 1996. Private non-bank expected to increase by economies was expected to Africa, the Middle East and would be offset by other lending - mainly the bond about \$10bn to \$35bn this fall by about \$17bn this year, eastern Europe to moderate flows, including net equity markets - would provide year, but foreign direct after outflows of \$12.2 bn last

\$114.5bm.

partly due to the conversion This was mainly due to of \$22bn of Korea's short



its privatisation programme. term inflows so far this year, a big rise in Latin America's bined gross domestic prod-Portfolio equity flows are Short term credit to all attracted by high domestic current account deficit from uct.

\$55bn to \$77bn, or 4.1 per The Institute also forecast cent of the region's com-

Palestinian attorney general resigns

The Palestinian attorney be had never been informed general has resigned after about the detention of politisaying it was impossible to cal prisoners or when trials deal with growing interfer were held. The security ence in the judicial system forces had ignored his deciby the Palestinian security sions and opinions.

ago, said be bad resigned because I felt I could not perform my duties due to the interference and the obstacles placed in the way of my

Mr Rahma pledged to bring system.

them promptly. But he said

Mr Rahma's resignation Fayez Abu Rahma, reflects the crisis in the Palappointed less than a year estinian judicial system where, according to the independent Palestinian Human Rights Monitoring Group and Gaza offered their resig-(PHRMG), the security forces continue to under-When he was appointed, independence of the judicial

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lished yesterday, the group larly Mr Rahma, have been said the Palestinian Authori- complaining about the PA's the PA and Israel denied any ty's security services contin- interference in the judicial involvement in his death as ued to suppress free speech system and the corruption. well as subsequent closedand political activity through detentions, holding have been particularly con- much criticism, not only suspects without trial and cerned over the way in from the judiciary but from extracting confessions, often which the PA opened an university students in the false, by using torture.

Frustrated with such inter-Frustrated with such interder last March of Muhi al-ference last month about 60 Din Sharif, a leader of human rights lawyer and judges from the West Bank Hamas, the Islamic Resis- one of the authors of the nations. They were rejected by Freih Abu Meddein, the mine the rule of law and the justice minister, a supporter

investigation into the murder last March of Muhi al-

Several judges, particu- killed in a Ramas feud. The speed in which both But in recent weeks, they doors investigation led to West Bank and Gaza.

tance Movement which PHRMG report, yesterday claimed responsibility for said the security services suicide bomb attacks on had expanded their activities in the universities, recruit- Feyez Abu Rahma: complained



Sudanese peace talks end in recriminations

ernment and southern rebels ended yesterday with the Nile province while negotiatwo sides failing to agree tions were under way and on a ceasefire and accusing citing the new hostilities as each other of initiating proof of bad faith. hostilities while negotiations

were still in progress.
The outcome of the two-day talks in Nairobi will such differences, there had come as a disappointment to been "significant progress" western donors, who had on the principle of self-deterpressed for a halt to the 15- mination for the south, with year civil war to allow food both sides saying an evenand seeds being distributed tual referendum on the issue by aid agencies to reach should be internationally hundreds of thousands of monitored. southern Sudanese facing famine in three drought-hit movement than might at

tives rejected an appeal by issue. Khartoum's Islamic administration for a truce, saying the size of the area defined the government was trying as "south Sudan" remains a to "blackmail" them. They big Issue of contention as said a ceasefire should be does the question of the sapnegotiated separately, with- aration of religion and state. out being linked to the aid a condition demanded by the

government, which analysts (Islamic) law in the say wants a breathing space north m which to recover from a series of battlefield defeats recent promulgation in the last year, immediately north of a new constitution warned that the SPLA rebut- he described as "100 per cent tal would have an impact on Islamic" had removed any the hunger-stricken popula- room for compromise on the tion in the south.

"Military operations and discussion is a non-starter." fighting will disrupt relief he said. operations," predicted the Sudanese foreign minister, again in the Ethiopian capi-Mustafa Osman Ismail. "We tal of Addis Ababa in three are very sorry the other side months time. Mr Godana

cion was clear, with both A new round of peace talks delegations claiming the other side had launched attacks in the southern Blue

Bonaya Godana, Kenyan foreign minister chairing the

first appear," said a diplo-Sudan People's Liberation mat, apparently commenting Army (SPLA) representa- on the self-determination

But delegates noted that SPLA, which rejects the Delegates representing the application of Sharia

An SPLA official said the religion issue. "The whole

Both sides are due to meet

NEWS DIGEST

ANNAN'S VISIT TO RWANDA

Controversy resurfaces over UN role in genocide

Kofi Annan, United Nations secretary-general, can expect a reception that is lukewarm at best and overtly hostile at worst when he flies to Rwanda today as part of his eight-nation tour

During his brief stopover in the hilly capital of Kigali the UN chief will be confronted with the stark reality of the 1994 state-sponsored campaign to eliminate between 500,000 and a million Tutsis and moderate Hutus.

His itinerary involves several wreath-laying ceremonies at the sites of massacres that formed part of a mass bloodletting the Rwandan leadership believes the UN in general, and Mr Annan in particular, could have halted had they wished

The issue of Mr Annan's role in the UN's failure to intervene in 1994 surfaced with a vengeance over the weekend in an article published in the New Yorker magazine by Philip Gourevitch, an author on Rwanda. He told readers that Mr Annan, then in charge of peacekeeping operations, was informed by Romeo Dallaire, commander of the UN forces in Rwands, that extremist Hutus were planning a genocide of the Tutal ethnic

minority three months before the killing began. Mr Annan's office refused to approve a request by Ma General Dallaire to reid arms caches held by the Hutu

Repeatedly quizzed about the article on the Nairobi leg of his trip, Mr Annan on Monday described the New Yorker article as "an old story which is being rehashed" and said he had no personal regrets about his actions.

"The falture to prevent the 1994 genocide was local national, international, including (by) member states with capacity," he said. Michela Wrong, Nairobi See editorial comment

GLOBAL WATER SUPPLIES

Warning of catastrophe ahead

Two thirds of the world's population will be hit by water shortages by 2020, Aly Shady, vice president of the World Water Council, warned yesterday. Already 300m people in 26 counries are affected.

The governing body of the council meeting in Cairo yester day decided to speed up preparation of a report on a global strategy to safeguard water supplies. The council, founded in 1994, is seeking \$5m of from donors

to allow the report to be completed before the second world water forum in the Hague in March 2000. The forum is expected to be a turning point for policymakers determined to push water to the top of the worldwide political agenda. So far no funding has been committed for the WWC report although the Dutch government has said if

will give \$2.5m if other donors find the rest. The success of the WWC strategy will depend upon co-ordinating the environmental policies of countries whose political condition and regional concerns often severely hinder

region-wide co-operation. "it's our responsibility now to act to avert a water catastro phe," sald Mahmoud Abu-Zeid, WWC president and Egypt's

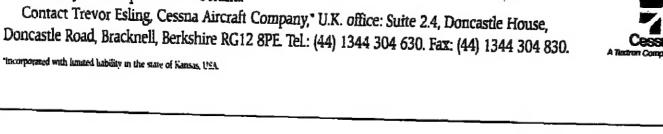
minister of public work and water resources. Egypt is trying to work with nine other Nile states to maxim se use of the river. Mark Huband, Cairo

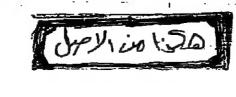
First process continue to under mine the rule of law and the independence of the judicial system.

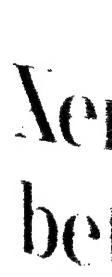
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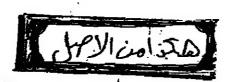
The Palestinan and the PA.

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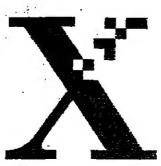
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Former southern African war zone takes aim at foreign investors

The leaders of South Africa, Mozambique and Swaziland yesterday launched an ambitious programme to attract hundreds of millions of dollars of investment in tourism and agriculture to the remote region straddling

their borders. President Joaquim Chissano to build or upgrade roads and King Mswati III met in and other infrastructure and the port city of Durban to inaugurate a conference of potential investors in the tors. The Lubombo zone is Lubombo Spatial Development Initiative, a 100,000 sq but largely undeveloped; the km area with 300km of now-concluded guerrilla war unspoilt coastline named in Mozambique made it even tors "in line with best prac-

aircraft manufacturer, yes-

terday signed a contract

with Continental Airlines of

the US for 25 firm orders and

50 options for its new

37-seat regional jet, the

The firm orders are worth

about \$315m and delivery

will begin in June next

The deal brings sales of

the new jet, due to make its

maiden flight in July, to

73 firm orders and 122

The ERJ-135 is based on

Embraer's successful 50-ceat

ERJ-145, for which Continen-

tal has 50 firm orders and

150 options over the next 10

Gordon Buthene, Conti-

nental's chief executive,

said: "The 135 uses 90 per

cent of the same parts as the

145 and pilot training is the

same. It gives us huge econo-

mies of scale by being in the

same family."

in São Paulo

The project, the latest in a series of southern African investment zones sponsored by Pretoria, is similar to the "growth areas" and "growth triangles" supported by governments in south-east

South Africa, Mozambique President Nelson Mandela, and Swaziland have pledged reduce bureaucracy at their borders to encourage invesfertile and rich in wildlife,

order for its new jet

mitment to Embraer.

Embraer, the Brazilian option Continental rejected

regional jet being developed

by Fairchild of the US. an

Mr Buthene said the deal

was part of Continental's

plan to become the world's

clearly superior jet which

gives us turbo-jet perfor-

mance at turbo-prop prices

over our competitors," he

The ERJ-145 has led

Embraer's recovery from

losses of \$330m in 1994, the

year it was privatised.

to a loss of \$14m last

Mauricio Botelho, presi-

dent, said this included a

\$100m write-off and the com-

pany had been in profit since

the fourth quarter of

He said sales of the ERJ-

145 - 180 firm orders and 246

the CRJ regional jet pro-

1997.

next five years. "This is a said.

We are putting aside the barriers that have prevented

transnational co-operation in the past," Mr Chissano said. "We plan to turn it into a globally competitive destination for the fastest growing industry in the world travel. The aim is to make sure that the name of Lubombo will stand alongside the Victoria Falls, Mt Kenya and the Kruger

National Park." Mr Mandela called the potential of the region "truly amazing" and said the three governments would establish a framework for inves-

three and a half years later

"Bombardier's let is based

a luxury aircraft flying

about 300 hours a year,

whereas ours was developed

as a workhorse to fly

Embraer was considering

launching a 70- or 80-seat jet

as its next project in

version of Bombardier's

The Brazilian and Cana-

dian governments are in

talks on a trade dispute con-

cerning alleged subsidies to

their aviation industries.

legal action against Bombar-

dier after it was excluded

from a Nato contract man-

aged by Bombardier for sup-

ply of training aircraft in

Embraer had been due to

supply its Tucano trainer in

of the success of the

Embraer is also considering

in 1996

because of its existing com- on an executive jet, which is

only all-jet airline in the 3,000 hours a year," he

and a clear advantage response to a 70-seat

Embraer wins \$315m | Asia's old silk route

Mswati said Lubombo was "in desperate need of an economic boost".

Lubombo's promoters have already outlined R330m (\$65m) of possible projects for the private sector, including hotels, a casino, game reserves and a cashew nut processing factory, but foreign investors are likely to remain cautious until they see evidence that povertv-stricken Mozambique intends to streamline its bureaucracy and match the road-building already begun by South Africa. The preva-

lence of malaria is another

Central Asian and Caucasian

states yesterday agreed to

seek a multilateral accord to

improve transport through

Delegates at the fifth

working conference of Tra-

ceca - an initiative of the

European Union to develop a

transport corridor linking

Europe and Asia along the

old Silk Route through

the Caucasus - signed a

declaration supporting the

The agreement, which will

simplify tariff and customs

arrangements throughout

the Traceca region, is aimed

at making the corridor more

This agreement is a nec-

essary step to achieve the

overall conditions needed for

Traceca to be competitive,"

said Cees Witterbrood, the

head of the EU's technical

assistance unit for the for-

"Now transport is very

fragmented and there are

problems at customs and dis-

criminatory measures

mer Soviet republic.

the region.

competitive.

mooted within the zone so far is a controversial concession granted by the Mozam-US gold trader James Blan-

His repre Mr Blanchard had already invested \$4m and wanted to attract partners to finance of projects in southern Mozambique, including 5,000 hotel beds. But some Mozambican government officials are hostile to the plans of Mr Blanchard, who had close ties with the opposition monarchy.

is far from smooth

Witterbrood said.

administer..

corridor.

so it is necessary to promote

all forms of transport under

equal conditions for all par-

ticinating countries." Mr

Currently only one multi-

akhs Agreement of 1996 -

regulates rail traffic in Cen-

tral Asia. Any other agree-ments are complicated bilat-

eral ones that are difficult to

Delegates at the confer-

ence envisage that the new multilateral agreement will

extend the Sarakhs Agree-

ment to other countries and

to road and sea routes in

order to compete with other

routes such as the Russian

The Georgian Black Sea

port Poti faces stiff competi-

tion from Russia's larger

Black Sea port at Novoros-

slick and Russian railways.

They are being as flexible

as possible to attract

Although the southern

bique government to The Elephant Coast company of entative Howard Geach said yesterday that



South Africa's economy dominates the region, and political tensions between the three governments also come to light occasionally. The South African foreign ministry apologised to Swaziland recently following threats by South African trade unions to impose sanctions on the country to force it to change its old-fashioned

siisk to Kazakhstan in Cen-

tral Asia on one tariff.

Whereas goods entering Poti

have to traverse at least

three different tariff zones

both rail and maritime,

before reaching the same

Trasece corridor has already

grown since its inception in

1996. Cargo turnover

increased 30 per cent in 1997

and 20 per cent in 1996. One

third of Uzbek cotton and

one million tonnes of oil

from Kazakhstan moved

through the corridor in

The European Bank for

Reconstruction and Develop

ment has already allocated

\$22m to ungrade and develop

ports in Azerbaijan, Turk-

menistan and Georgia and

build a new cotton terminal

Delegates also decided yes-

terday to admit Moldova as

the eleventh member to Tra-

ceca, to join the five Central

in Uzbekistan.

Cargo moving through the

NEWS DIGEST

TRADE IN ANIMALS

Brussels seeks veterinary agreement with Canada

The European Commission is to propose the conclusion of a veterinary agreement between the European Union and Canada to speed up bilateral trade in animals and animal products. The deal would lead to fewer product inspections as both parties would acknowledge that their sanitary measures

This is one of a series of veterinary agreements being negotiated by the EU. It already has one with New Zealand and is close to signing deals with the US and the Czech Republic. Negotiations are under way with Australia, Uruguay and Chile.

Franz Fischler, EU farm commissioner, said the Canada deal was an important step towards ensuring health issues did not lead to trade disputes. The EU's regionalisation policy. whereby it agrees not to block a trading partner's exports in the event of an isolated regional problem, was another element of the agreement, he said. Michael Smith, Brussels

US IMPORTS OF CHINESE CLOTHING

Quota cut in retaliation

Washington has reduced the quota of clothing China is allowed to export to the US for the fourth time in four years in ation for China's practice of transhipping goods through other ports so they can be sent to the US under the quota of other countries. However, US penalties have been shrinking as transhippers become more sophisticated at eluding US customs agents, according to a customs official.

Although customs estimates that \$2bn-\$4bn in Chinese clothing is illegally imported each year, agents last year were able to gather evidence of only \$1.7m in transhipments. Altogether the US has applied about \$94m in charges against Chinese quotas under a US-China bilateral textile agreement.

As allowed under the pact, triple damages - about \$5m have been charged this year, but new charges may be added later on if sufficient evidence is gathered. The bilateral pact calls on the US to produce records naming the Chinese manufacturer, and that requirement has been increasingly difficult to meet. Carlos Moore, of the American Textile Manufacturers Institute said there was no indication that Chinese companies had eased up on illegal shipments. "We've had reports of essive shipments through Macao and we know they continue through Hong Kong unabated," he said. Nancy Dunne, Washington

FREE TRADE PACT

Peru and Chile reach accord

Peru and Chile have reached a free trade agreement that will take effect on July 1, Peru's Industry minister has announced. The accord, drawn up in Lima by officials from the two countries, is to be signed in the two capitals in the coming weeks The deal would remove tariffs on 2,500 products immediately, while duties on other products would be phased out over three to 18 years, industry minister Gustavo Califaux said.

Peru, the only South American country with which Chile does not have a free trade agreement, hopes the accord will allow it to boost its exports to its southern neighbour by 50 per cent in two years. Free trade talks between the two countries began in 1993, but gathered steam only last year. Reuters, Lima

The only direct competitor duced by Bombardier of Can- ERJ-145.

CONTRACTS & TENDERS

options - had overtaken a \$100m deal, and claims it

those of its main competitor, was excluded as a result



INTERNATIONAL TENDER

MERGING OF UIB AND BTEI BANKS

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As part of the upcoming merger of:

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The two banks call for international tenders for the selection of a specialized firm to conduct a mission for the assessment of the two banks and the enactment of the merger.

interested parties may obtain the specifications book from one of the following addresses on payment of 1,000 dinars non-refundable:

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Ministère des Finances, Place du Gouvernement - La Kasbah - 1030 Tunis.

The outer envelope should be anonymous and marked: «DO NOT OPEN -CONFIDENTIAL - TENDER UIB/BTEI Nº 98/1»

The name of the tenderer should not be mentioned on this envelope.

The final date for the receipt of tenders by the bureau d'ordre central of the Ministry of Finance is set for May 30, 1998 at 1:30 p.m. (the seal of the bureau d'ordre is proof of date).

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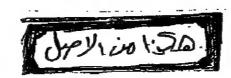
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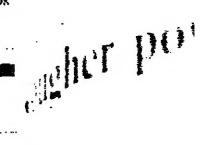
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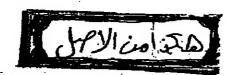
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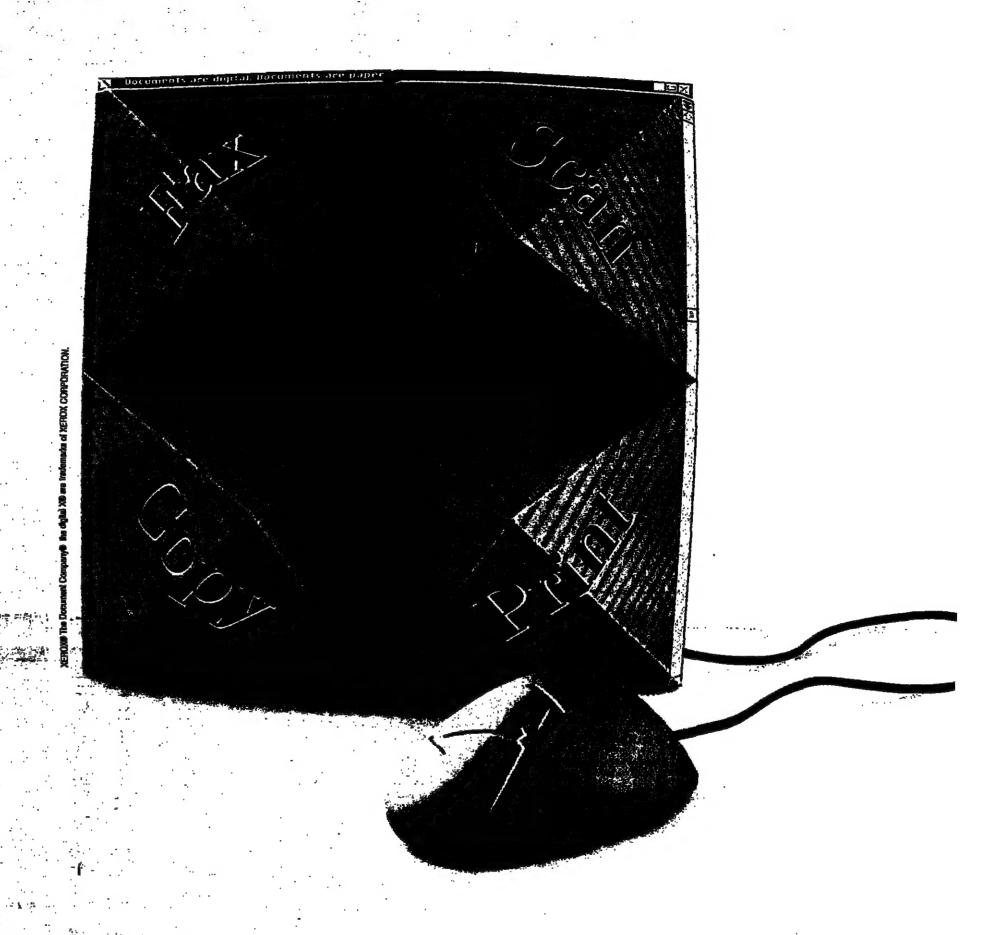




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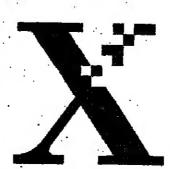
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Shares fall in south-east Asia

By John Ridding in Hong Kong

Fears of political instability in Indonesia vesterday rattled regional markets, combining with specific economic problems in neighbouring economies to send

shares and currencies lower. Malaysia's share index fell by almost 4 per cent, Singa-pore's Straits Times Index lost about 1.4 per cent and Thailand's SET index 1.8 per cent. In Japan, the Nikkei 225 average closed down 2.3 per cent. Indonesia's stock market sagged to a 16-month low, closing 4.72 per cent

posite index down 3.97 per almost one per cent to trade cent to 376.23, the lowest at 1.60 to the greenback.

level this year.
"All of these markets have their own troubles, made situation in Indonesia," said Kent Rossiter, senior investment adviser for Asian equities at Nikko Securities in affected as the 10 per cent fall in the Indonesian rupiah raised pressures across the ratios. Then there will be

labour disputes pushed the 3.78 to the US dollar, while Korea stock exchange com- the Singapore dollar lost Indonesia's plight can hurt problems in Indonesia,

regional economies in several ways. "In the case of worse in some cases by the Japan, they have loan exposure of more than US\$20bn to Indonesia," says Bruce Gale of the Political & Ecowill make it harder for them to meet capital adequacy region. The Malaysian ring- knock-on effects to other

In South Korea, the threat of git fell about 2.5 per cent to countries where Japan is a lender, such as Korea. Singapore and Malaysia are seen by investment analysts as most exposed to the

partly because of their prox-

imity but also because of trade flows between the While Singapore is an important entrepôt for trade nomic Risk Consultancy in with Indonesia, and Singapo-Hong Kong. "Indonesia is Singapore. "If these banks rean and Malaysian compa-just leading the pack down." have to write off loans to nies are exposed through have to write off loans to nies are exposed through Currencies were also Indonesian companies, that loans and investments there, commentators said Japanes

and Hong Kong companies

were also vulnerable.

Seize stock markets odices related for Sterms

as gas and timber to Japan, while in the case of Hong Kong there are a lot of overseas Chinese companies with has regained ground against a presence there," said one the US dollar, economists fund manager. Analysts

of primary commodities such regional markets would continue to struggle and that Indonesia would weigh on sentiment. While the yen forecast renewed instability predicted in the currency markets.

Why Jakarta needs peace in the markets

By Sander Thoenes in Jakarta

As rioters and looters raged through the city of Medan yesterday, a police officer grabbed a loudspeaker and pleaded: "The government will solve the economic problems but there must be

The officer's plea could have been Indonesia's plea to investors, who rushed to sell rupiah and stocks again yesterday in response to the riots, driving down the exchange rate by 12 per cent to Rp9,050 to the US dollar.

ates can even start to restructure their banks and

A key condition for such peace is progress in restruct-uring at least \$67.7bn in corporate offshore debt. Indonesian government officials and corporate executives will meet international bankers and officials in Tokyo tomorrow to try to break an impasse in talks.

is less likely than peace on period. the streets of Medan. "Stabil- The

in the political situation. The money market is in deep trouble. There is no investor confidence in the bank

restructuring." Few bankers in Jakarta expect much progress on debt rescheduling until the end of the year. One obstacle is that no side is willing to insure the lenders against a further depreciation of the But peace in the markets rupiah during a roll-over

The Indonesian governindonesia's battered econity is still far away," says ment earlier embraced the omy, too, needs peace first in Syahrir, a prominent econo-

exchange rate risk during return, it hopes for bank the roll-over period.

But Radius Prawire, the government's negotiator, to Indonesian banks. says Indonesia will not insure the exchange rate divided committee of lenders risk as Mexico had done. money," he says. "The gov- who are no longer as much thing."

Government advisers and diplomats say Indonesia is plain there is little sign that pushing Japan and Singapore to set up a \$20bn fund serious about rescheduling that could back the insur- and restructuring their com-

commitments to resume trade financing and lending

- with Japanese banks said "The government has no to be taking a harder line ment as in January.

But Indonesia is facing

Bankers and others Indonesia's corporates are ance, but may settle for tak- panies. "They're playing

the currency and money mist. "You have a currency markets before conglomerates can even start to because you have to factor markets before can even start to because you have to factor market that is not stable, because you have to factor government insured the range for the rupiah. In up. How can these compaexecutive. "They've given nies survive in an environment they are totally unfa-miliar with?"

Rudy Soraya, group director at Putra Surya Perkasa, insists he is still trying to save his company by closing franchises for consumer financing and fast-food, laving ernment cannot commit any- in a rush to reach an agree- off workers and selling real estate assets. "But we're operating on the assumption this is as bad as it gets," he said. "If the economy nose-dives, it is an academic ques-

tion. There will be no busi-

Japanese bond yield hits record low

By Gillian Telt and Bethan Hutton in Tokyo

Japanese long-term market interest rates plunged to a record low yesterday, partly due to a wave of gloom about the depressed econ-

The yield on the 10-year benchmark bond (known as 182 Japanese government bond) touched 1.385 per cent during the day's trading before closing at 1.395 per cent, from a previous close of 1.435 per cent.

The fall has rekindled fears that domestic and not stave off a downturn.

international investors may be turning even more bear- in particular have started ish about the Japanese econ-buying government bonds omy, in spite of the government's recent Y16,000bn (\$120bn) stimulus package.

Japan's key stock market index, the Nikkei 225, also fell 2.3 per cent to 15,243.84, the lowest level since January, as traders returned in a bearish mood after a two-day public holiday. The falls in the bond yield

and equity prices have been partly triggered by investor concern that the government's stimulus package will

Japanese commercial banks amid more unease over the economic outlook. Tetsuro Sugiura, chief

economist at Fuji Research Institute, which is affiliated to Fuji Bank, says: "Market participants are now saying that the stimulus package will not have enough effect to boost the economy. Although we think the package will boost growth by 1.5 per cent, we think we cannot avoid an economic downturn.'

These concerns were

heightened yesterday by Koi- weeks. This buying should chi Kato, the influential sec- support the market despite retary-general of the roling the fact that the government Liberal Democratic party, is expected to issue Y6,000hn who said he opposed permanent tax cuts. Stimulus packages have contained only temporary tax cuts.

He hinted that more financial institutions were likely to collapse this year, following a spate of failures in

expectations that Japanese government institutions will continue to purchase large amounts of bonds in coming

in new bonds to fund its planned Y16,000hn package. The Bank of Japan, for

example, has been purchasing about Y400bn worth of ernment bonds a month to inject additional liquidity into the money markets. Meanwhile, the Ministry of

The market movements Finance's Trust Fund have also been driven by Bureau, which manages money in public pension schemes and the national postal savings network, has indicated that it will absorb

nce 10-year hand yield

about Y3,000bn of the Y6,000hn new bonds that the government is expected to

NEWS DIGEST

CHATICHAI CHOONHAVAN

Flamboyant former prime minister of Thailand dies



Chatichai Choonhavan (left). former Thai prime minister and one of the country's most flamboyant politicians died yesterday in a London hospital where he was being treated for liver cancer. He was 78. Gen Chatichai was prime minister from 1988 to 1991, when he was overthrown in a military coup. He was later declared "unusually rich" by a special tribunal but leading his Chart Pattana party into ruling coalitions in 1994 with the Democrat party of Chuan Leekpal, the current premier, and in 1996

with the New Aspiration party of Chavalit Yongchaiyudh. During his reign as prime minister, Gen Chatichal presided over the beginning of the boom in the Thai economy, promoting Japanese investment and rapprochement with neighbouring Cambodia, Burma, Laos and Vietnam. But tolerance of corruption within his government - dubbed the "buffet cabinet" because it was "all you can eat" - eventually led to his

Until his death Gen Chatichal, was leader of the Chart Pattana party, now in opposition with 52 MPs. His death is expected to lead to a slow break-up of the party, which is tom by internal conflicts. Ted Bardacke, Bangkok

PHILIPPINE TRADE

Exports increase by 24%

Philippine exports rose 23.5 per cent year-on-year in March to \$2.47bn, according to government figures yesterday. Electronics was top earner, representing 52 per cent of exports on \$1.28bn, a gain of 48 per cent from a year earlier. The US was the top market again, taking 33 per cent of the total, followed by Japan with 17 per cent. Economists said the buoyant export performance differentiated the country from the export slump in south-east Asia, although it had a particularly high imports input and added little value in the electronics sector. The stockbroker SocGen-Crosby is forecasting a Philippine trade deficit of 13 per cent of gross national product on 1998, leading to a current account deficit of 4.6 per cent, the highest in the region, because of continuing high import levels. Justin Marozzi, Manile

INDIAN ECONOMY

Trade deficit grows 26%

Dull export growth left India's trade deficit 26 per cent higher at \$6.8bn in the fiscal year which ended last month, against \$5.4bn for 1996-97, Generally low oil prices helped keep the deficit down. The commerce ministry, which has set an ambitious target of 20 per cent export growth for this year, said exports last year grew just 2.64 per cent to \$34bn, against \$33bn a year earlier, imports were up 5.79 per cent at \$41bn compared with \$38.5bn. Mark Nicholson, New Delhi

ARGENTINIAN INVESTMENT COMPANY or annothing man a Capital Va. Officer 47, Routeward P.

CONVENIEND MOTICE r me agends for lack of quoture, the shareholders of AFIGENTIFIAN INVESTMENT (the "Corporation") are handly reconvened to school at an extraordinary meeting of re to be held on June 8, 1998 at 16,00 a.m. in Lucentbourg, 47, Boulevard Rosel, to

Shareholders are efformed that no quarum is required for the movering to be held on June 2, 1996 and repolutions will be passed at a majority of 2/3 of shares present or represented at the meeting. With respect to Shores held in beaver form, Sherefolders who wish to agend and vote at the meeting should depend their shere certificates on June 5, 1998 at the latest with State Sweet Bari

BRAZILIAN INVESTMENT COMPANY Societé d'Investissement à Capital Variable gislaned Office: 47, Southvard Royal, Lucembourg P.C. Lucembourg B 25, 810

As the extraordingry governity weeking held on May 4, 1988 was not able to deliberate and vote on 5m floring of the agents for tack of quorum, the shareholders of BRAZILAN AVVSTMENT COMPANY (for Corporation) are hereby recovered to existed at an extraordinary meeting of shareholders to be held on June 8, 1995 at 10.15 a.m. in Luxyesbourg, 47, Boulevard Rayal, to collaborate, and the collaboration of the collaboration and the collabo

ACENDA to among articles 3, 5, 6, 8, 11, 19, 21, 22, 23, 24 and 36 of the articles of incorporation of the The full lost of the proposed amendments of the articles of incorporation is available for impe of the offices of State Street Burk Lucembourg S.A., 47, Boulevard Royal, Lucembourg. olders, are miniminal start no quiphum at required for the mosting to be held on June 6, 1996 olubons will be passed at a majority of 2/3 of starce present or represented at the mosting.

With respect to Shares held or bearer form, Shereholders who with his algorid and vote of the meeting should deposit here share confidentes on Jame 6, 1998 at the letters with Shele Sheet Basis Lunchtscape 5.4, 4.2 Southerd Royal, Lunchtsburg

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As 5th orifracrdinary general moving held on May 4, 1995 test not gible to defiberate and vote on the stems of the openits for lock of quotate, the shareholders of CQLCMB/AN INVESTMENT COMPANY (Not "Corporation") are hyeldy recommend to easiest at an expanding the mediang of Paroticides to be feet on Juno 8, 1996 at 10.30 a.m. in Lucembourg, 42, Boulevard Royal, to shinkbursts and vote on the followers careful.

The full tota of the proposed amendments of the articles of incorporation is evallable for intepestion of the others of State Street Bank Luciambourg S.A., 47, Bodesard Poyer, Luciambourg. Pholdons and informed that no quantum is required for the meeting to be tested on June 8, 1996 eschabons will be passed at a integrity of 23 of shares present or represented at the meeting.

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MEXICAN INVESTMENT COMPANY

CONVENING NOTICE As the extraordurary general insecting held on May 4, 1998 was not able to deliberate and vote on the items of the openda for lack of quotum, the shareholdes of MEXICAN INVESTMENT. COMPANY (the "Corporation") are healthy recommend to exist at an extraordinary meeting of describedors to be held on June 8, 1998 at 1100 a.m. in Liberathourg. 42 Boulevard Repail, to

ders are militimed their no quorum is required for the meeting to be held on June 8, 1996, utions will be passed as a shejarily of 2:3 of alteres present or represented at the steeting.

With respect to Shores held in bearin know, Shaveholders who wish to edend and your at the mosting should depose their share confidences on June 5, 1998 at the latest with State Street Beni On behalf of the Board of Directors

Indian minister mollifies **China**

By Mark Nicholson in New Delhi

George Fernandes, India's defence minister, yesterday sought to retreat from his remark that China was India's chief strategic threat. He said he was committed to dialogue to resolve bilateral disputes and to "peace and

amity" with Beijing. The statement followed a sharp retort from Beijing Mr Fernandes described China as India's "potential threat number one". The unusually direct remark broke a traditionally conciliatory tone towards

India's neighbour Mr Fernandes did not retract detailed allegations that China was "encircling" India by supplying missile technology to Pakistan, deploying nuclear weapons in Tibet and building a sur-

veillance centre in Burma. It remains unclear to what extent the comments by Mr Pernandes, a political maver ick and vocal critic of China's policies in Tibet, were a reflection of government policy or simply his own vie

There has been no public word from Atal Behari Vajpayee, who is prime minis and foreign minister. In the first official response, the foreign ministry said: "India development of ... mutually beneficial relationship with China, our largest neighbour." quoted aides to Mr Vajpayee as saying that Mr Fernandes views "do not reflect the government's considered views on China".

Nevertheless, Mr Fernandes is widely seen in Delhi as representing the views of the military establishment. Senior military figures believe that China, rather than Pakistan, poses India's main long-term military challenge and is the central reason for Delhi's

nuclear programme. This lobby has sought a harder line towards China, arguing that the long-standing border dispute, unresolved since the two countries' 1962 war, will only be settled by adopting a forceful growth for 1998. stance towards Beijing and making overt India's nuclear

Sharif tries to give a push to Pakistan state sale Privatisation would help pay off debt, but

progress is slow, writes Farhan Bokhari

speed up offers for sale of sector. public sector companies.

The move is partly designed to impress Pakistan's international donors, who meet in Islamabad next week. The "Pakistan develstock of Pakistan's economic reforms, including the privatisation programme.

There are plans for the sale of two large gas compa-nies, the largest public sector bank, companies in oil and gas exploration, a refinery, a shipping company, the telephone company and smaller companies in the electricity business, carved out of the national power

company. While prospective investors might find the list ture when the budget is impressive, business analysts are counselling cau-

with long experience in the of funds through the councountry say they are tired of try's public sector compayears of unfulfilled promises. nies, many of which have The proof of the pudding will be in its eating," said

The privatisation pro-

awaz Sharif, Pakistan's minister, promised to halt prime minister, has growing losses in the public privatisation commission to management to the private

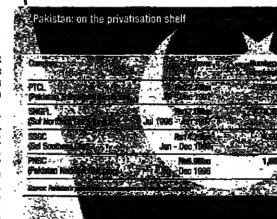
Since then, three banks one constituted from the former Bank of Credit and Commerce International, which was taken over by Pakistan - have been the opment forum", hosted by most visible privatisations in the World Bank, will take a range that extends to bread-making factories and a chain of four small tourist hotels.

The government estimates that it has raised \$1.7bn from such sales. Estimates of potential receipts range from \$7bm to \$15bm.

Mr Sharif wants the money to help pay Pakis-tan's \$435m foreign debt. Servicing that debt over the next year is expected to account for almost 40 per cent of government expendiannounced next month. He also sees privatisation

Many foreign businessmen called the "haemorrhaging" been running at a loss for

Private business warns against what Zahid Zaheer, gramme was launched in secretary general of the 1990 when Mr Sharif, during Overseas Chamber of Comhis previous tenure as prime merce, and Industry, calls



"putting too much on the tic stock markets and con-plate". He suggests that the tinning losses in the public companies should be sector have deterred inves-reformed first and that "the tors and could continue to focus should first be on one or two companies".

Last month the government announced that it had sought to change the terms appointed Goldman Sachs, the Wall Street investment bank, as financial adviser for companies, all of which have privatisation of the Pakistan some foreign equity or for-Telecommunications Corporation (PTCL). The governas the way to stem what he ment sold 12 per cent of PTCL in 1995 on Pakistani number of deadlines since the electricity generated by then to sell 26 per cent in a them would be bought by block to a single buyer, which would also take over. the management, have owned monopoly distributor.
passed without progress.
But now they have been told

economic outlook, uncertain sentiment across the domes-

Critics also point to the fact that the government has of the operations of the country's 19 private power eign loans. The companies agreed to invest during the previous administration of Benazir Bhutto on the basis that at least 60 per cent of the Water and Power Devel opment Authority, the state-But now they have been told

tion commission who down last redruary when his three-month tenure under an interim administration ended, says: "Investors will not come if we keep on changing the rules of the game all the time. Stability includes stability of contracts along with all other factors." Some analysts also argue that more preparatory work

rates which have caused mounting losses to WAPDA.

chairman of the privatisa-

Mr Salman Shah, former

needs to be done before the privatisation programme gathers pace. Mr Shah believes Pakistan needs to strengthen its regulatory frameworks for different sectors of the economy. "The big challenge is to avoid having a privately owned monopoly instead of a stateowned monopoly," he says. The government has established regulatory authorities in the telecom, power and gas sectors. Critics say, however, that these need to be

run by a new breed of managers, replacing bureaucrats in the public sector.

Mr Shartf admits that the privatisation process "may prove to be painful in the short run and would require restructuring the old paradigms about the economy Economics say a weak to cut the tariff by 20-25 per and the state's role". But he economic outlook, uncertain cent on the grounds that knows that Pakistan can ill they were given exorbitant afford to turn back.

ECONOMIC CONTRACTION LOWER INTEREST RATES AND A CURRENT ACCOUNT SURPLUS

Seoul and IMF agree on targets

Fund yesterday agreed to materials. nomic growth in nearly two ruptcies. decades.

in February of 1 per cent has been attracted by high its \$58.5bn rescue package.

South Korea and the because of a cut in imports International Monetary of capital goods and raw

est rates and a current approved a gradual lowering the unemployed. The jobless cent set by the Bank for account surplus in spite of of interest rates to prevent a rate has nearly tripled to 6.5 International Settlements. the first contraction in eco- threatened wave of bank- per cent during the first Korea has been pressing The new macro-economic prime minister of South Gross domestic product is for lower interest rates to targets were approved at the Korea, called on the govern-

interest rates in domestic The current account sur-financial markets. Korea has finance minister, said the rapidly would "end up plus, the first in five years, sought to lower interest government might be forced increasing business failures is expected to climb to rates to 15 per cent in the to inject capital into alling and non-performing assets".

\$23hn, against an earlier first half of 1998 against the banks in an effort to restruc-Fund projection of \$8bu, current rate of 20 per cent. ture the financial sector. The The IMF said it would government is reviewing allow Korea to expand its restructuring plans submitbudget deficit to 1.7 per cent ted this week by 12 banks new macro-economic targets The finance ministry said of GDP, up from 0.8 per cent, whose capital adequacy that will include lower inter- that the IMF had also to provide more funds for ratios are below the 8 per three months of 1998.

expected to shrink by at ease tight liquidity, but the end of a two-week quarterly ment to ease its requirement least 1 per cent, which would IMF has warned that a quick review and will serve as the for banks to increase their represent Korea's biggest cut could destabilise the basis for the IMF's approval equity base to 8 per cent of recession since 1980, com- economy by causing an out- of a sixth outlay of \$1.8bn assets. pared with an IMF forecast flow of foreign capital that later this month as part of Meanwhile, Lee Kyu-sung, to increase their equity so

In Washington, Nam Duckwoo, a respected former

He told an audience of bankers that forcing banks

NOTICE IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

LEGAL

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IN THE MAITER OF THE COMPANIES ACT 1985

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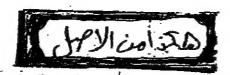
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THE POWER TO MANAGE ANYTHING. ANYWHERE

US Treasury to scrap some debt issues

By Gerard Baker in Washington

The US Treasury is to change radically its issuance of government securities for the foreseeable future, as the surplus for the first time in nearly 30 years.

The Treasury announced vesterday it was scrapping issuance of a whole class of public debt instruments the 3-year Treasury note and cutting the frequency of 5-year bond issues to every

the most tangible symbol yet notes in 1991 and 7-year of the arrival of the era of notes in 1993. For the last about how the administrafederal budget surpluses year, it has been reducing its tion would deal with new after 29 years of deficits. "This is a very happy chal-

lenge, to be addressing our-selves to balanced budgets and an environment of fiscal discipline," said Gary Gensler, the Treasury's ass secretary for financial marbe a strategy for some time." Scrapping entire issues is relatively rare, officials said. The Treasury discontinued 1021/2, yielding 5.944 per cent.

The announcement was 20-year bonds in 1986, 4-year issuance of shorter-term surpluses, and analysts said bills, in response to the dis-

appearing deficit.
Treasury bonds traded ment and were further maturitles. . buoyed by news that next kets. The changes "should smaller than the market expected. In afternoon trading, the benchmark 30-year sury bond was up 🛔 at

to one of up to \$600n. expecting an announcement Tax revenues have poured in as a result of rapid eco-

week, the politically indethe next ten years. pendent Congressional Budget Office upped its previous

the main effect of yester-

day's decision would be to

nomic growth, while inflation has been consistently lower than forecast, reducalter the relative attractive- ing expenditures. This higher after the announce ness of securities of different period of surpluses is expected to last some time. Even It seems certain that fed- on conservative estimates week's refinancing would be eral finances for the current for economic growth, the year will produce a substan- administration believes a tial surplus. Earlier this cumulative surplus of at least \$500bn is likely over

In opting for the reduction

ful...at this time".

culation. Advisers to the Treasury from the private sector, in a separate report, said they had concluded "buybacks would not be use-Separately, the Commerce Department reported yesterday that factory orders rose

sury rejected an alternative

method of handling the proj-

buybacks of securities in cir-

ected budget surpluses

by 0.3 per cent in March, a modest bounceback from a sharp fall the month before. US in Ukraine

The US and Ukraine yesterday signed a deal to allow the former Soviet republic to import technology to revamp its troubled nuclear industry, Renters reports from Kiev.

nuclear

deal

"This agreement will be the cornerstone in the development of strategic partnership between our countries. Boris Tarasyuk, Ukraine's foreign minister, said after the signing ceremony in the capital, Kiev.

The deal was made possible after Ukraine bowed to US pressure in March not to build turbines for Iran's planned Bushehr nuclear power plant. Russian companies have been contracted to build the \$850m power station for Iran.

"The political and economic benefits that Ukraine gains from turning down the (Iran) project will be worth much more than the cash from selling two turbines," said Olexander Maydannyk for President Leonid Kuchma.

Mr Tarasyuk said Ukraine could now bring in western nuclear technologies which would enable the republic to modernise its five ageing

NEWS DIGEST

HUBBELL TAPES

Burton aid forced to quit after transcripts flasco

Republicans yesterday sought to deflect attention away from fresh controversy over selective editing of prison conversations of a former associate of President Bill Clinton, by forcing the party side responsible to resign. The problem arose after it emerged that transcripts of the tapes of Webster Hubbell, released last week by Dan Burton, chairman of the House government reform committee, were incomplete. The edited versions had appeared to show Mr Hubbell admitting he was covering up for Mr Clinton and his wife Hillary. The full tapes, which have since been released, are more ambiguous and written nerve series been reseased, are more amagedes and contain a section in which Mr Hubbell explicitly clears Mrs

Clinton of wrongdoing.

Acknowledging that the affair had not been properly handled, Mr Burton announced that David Bossle, the investigator on his staff who oversaw the editing of the audiotepes, had agreed to step down. Mark Suzman, Washington

SOCIAL SECURITY

Caracas wins IADB loan

The Venezuelan government is to sign today an agreement with the Inter-American Development Bank for a \$350m loan and technical assistance worth \$75m to help it launch a new social security system.

The social security institute, which has outstanding liabilities of \$6bn, is to be phased out by December 31 1999, paving the way for privately managed pension and healthcare funds. The IADB loan is to help finance the transition phase.

US-ITALIAN RELATIONS

Clinton aims to heal wounds

US President Bill Clinton greated visiting Italian prime minister Romano Prodi yesterday with words aimed at healing diplomatic wounds caused by February's fatal ski-fift accident involving a US Marine jet in Italy.

At a White House ceremony opening an official visit by Mr Prodi, Mr Clinton praised Italy's hosting of American soldiers and said he had dispatched US troops from the Aviano air base in Italy to help rescue efforts after lethal rainstorms in southern Italy this week. Reuters, Washington

CANADIAN WATER EXPORTS

Company offers to drop plan

A Canadian company that triggered an international controversy with a proposal to sell Great Lakes water to Asia says it will drop the plan if the federal government, Onterio and the

US agree to ben all water exports. Nova Group said its idea to help Asian countries in need of fresh water had turned into an international incident and that was not its intention. The Ontario government granted Nova a permit to sell up to 10m litres of water a day over five years from Lake Superior but the plan triggered long-standing Canadian fears that, once bulk water exports had been permitted, Canada would be unable to block larger sales to the US. Edward Alden, Toronto

Salmon for the high jump as West Coast weather changes

Christopher Parkes reports that climatic variations may be the greatest threat to the survival of the king of fish

western US coast and rivers a safe haven for endangered salmon have cast industry, urban planners, power utilities, farmers, loggers and fishermen in the role of bad guys, wreckers of the environment.

But evidence is mounting that the environment itself may be counted high in the hierarchy of villains responsible for the fate of the king of fish in an area that stretches between Seattle and San Francisco, embraces the Cascade Mountains and California's Central Valley, and reaches far into the Pacific Ocean.

Meteorologists at the University of Washington (UW) believe long-term variations in rainfall and sea water temperatures, both crucial to species which live in both river and ocean, have had a substantial impact on salmon and steelhead trout

are caused by a phenomenon they call the Pacific Decadal Oscillation, a macro-climatic tendency of which the current El Niño is merely a "amall" manifestation. In bouts lasting 20 years and Sound now routinely net part of a 13-county chunk of

ederal proposals to more, it alternately warms fewer than 20.000. Salmon declare vast expanses of and cools the ocean, dries runs in the whole Columbia and drenches the salmon

> The PDO has been in a "positive" phase since 1977. according to the Army Corps North-western winters have of Engineers. Of those, 80 commonly been drier and per cent are hatchery-reared. the ocean warmer than between 1947 and 1976. Conditions similar to today's oscillate in favour of the prevailed from the 1920s to the mid-1949s, another period when salmon runs

> were poor. The research supports ear- with any certainty until forelier local observations, made during the 1982-83 El Niño episode, when survival rates of coho salmon leaving the central California coast fell almost 60 per cent and fecunto spawn fell 25 per cent.

Empirical evidence, courthat the salmon runs may move up and down the coast in phase with the fluctuaboats have enjoyed bumper 1997, while their southerly competitors have suffered.

Fishermen who once har-

basin, reckoned at about 16m wild fish last century, have dwindled to less than 2.5m. UW researchers believe the climate should start to west coast fish within 10 years. But, says Nathan Mantua, one of the university team, no-one can say

hat will take at least five years, too long for the fish and the federal authorities poised to extend dity among those returning their environmental protection policies, formerly confined mainly to public lands, tesy of the fishing industry, to sprawling urban and agri-

casting techniques improve.

tends to support the notion cultural areas in four states. The reverberations, which will affect every aspect of the economy, will be felt far tions of the PDO. Alaskan in the hinterland, among boats have enjoyed bumper plains grain and Idaho The fluctuations, they say, catches for years, with a potato growers who depend are caused by a phenomenon record 123m fish taken in on the great rivers for chesp barge transport.

Seattle and the Puget Sound area - home to Microvested 750,000 chinook soft, the US aerospace indussalmon a year in the Puget try and 4m people - is only a



Washington put on the alert. Oregon's Willamette Valley, including Fortland, which accounts for 70 per cent of the state's economic activity and 75 per cent of its population, also faces dranatic change.

With a year before Washington formally declares more than a dozen fish runs endangered and throws the regulatory book at them. those representing the economic interests of a fastgrowing region are scrambling for their own solutions. The alternative to a home-

grown conservation and res-

toration effort is federal

"You talk about telling people what they can do and what they can't do. People lose control of their lives."

stage include state and federal purchases of waterside land, reduced industrial and residential development to limit demand for water and the removal of dams to restore river flows. The bill for basic improve-

Plans now in the drafting

ments to the public purse in Oregon alone has been estimated at almost \$200m, but with about 80 per cent of the most affected area in private hands, associated costs including higher charges for water and power - could far The Columbia River barge

edict, and no-one appears to shipping industry alone, want that. "When you talk with revenues of more than about the Endangered Spesion, fears lowering or cies Act, you talk rules," breaching dams would halt said Peter Test, an official at navigation in much of the the Oregon Farm Bureau. river. The corollary is that it would be restored to the fish, most likely for ever, as long as the weather co-operates better than in the past. | nuclear power plants.

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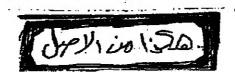
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aca to seek a

Tougher powers for City watchdog

By George Graham, Danking Editor

The UK's new financial services watchdog is to get sweeping powers to fine traders and investors for insider dealing or market manipulation.

Alistair Darling, a Treasury minister, said the gov-ernment had decided to give the Financial Services Authority the power to impose civil penalties for insider dealing, as well as prosecute criminal charges. There will be no limit on

get a serious fine," he said. A single tribunal, independent of the FSA, will be set up to hear appeals against the authority's decisions.

The London Stock Exchange will also get the power to fine companies or their directors for breaches of its listing rules, such as failing to disclose information to investors.

The exchange's only sanction at the moment, beyond a rebuke, is to end a company's listing. This disadvantages its investors.

Mr Darling said there had been only 17 prosecutions for insider dealing since 1990 and only 12 of these had been successful. "I don't think anyone can seriously maintain that 17 is the number of times insider dealing has occurred in the last eight years," he said. Criminal charges of

insider dealing have to be proved beyond reasonable doubt - and will still be pursued in some cases - but for civil penalties the FSA will be able to act on the balance

with market participants on a new code of conduct, intended to define offences such as misusing privileged information or ramping up a share price through false

The legislation will give the FSA the powers cur-rently wielded by self-regu-the Serious Fraud Office lating organisations, such as the Securities and Futures Authority or the Investment Management Regulatory The office of Tony Blair, the Organisation.

from contractual agreements government was planning

cannot fine non-members. Once the fining power is put on a statutory footing, however, it must comply with the European Convention on Human Rights. George Staple - a partner

at Clifford Chance, the law said the powers given to the FSA appeared to be sweep-

prime minister, yesterday Their power is derived dismissed reports that the

The authority will consult with their members - they legislation to curb executive pay, David Wighton writes. The reports followed comments from Lord Haskel, a government whip, which officials said merely restated the position outlined in March, Lord Haskel said the government supported the pel committee that companies put the annual report of their remuneration committees to a vote of shareholders. If companies did not adopt such practice, Lord

Haskel said the government

had not ruled out legislation.

Viacom threatens to uproot European head office

By Cathy Newman and John Gapper

Viacom, the owner of MTV and Nickelodeon, is threatening to move its European television headquarters out of the UK if regulators press ahead with planned changes to how cable and satellite channels are sold.

Viacom, which employs 1,000 people in London on what are among the best known pay television channels, will also meet the Office of Fair Trading and Oftel, the telecommunications watchdog, to protest at the Independent Talevision Commission's proposals.

The move adds weight to a growing revolt by pay television companies against the ITC's proposals to prohibit agreements under which cable and satellite broadcasters promise to carry channels to at least 80 per cent of subscribers.

Viacom says it will consider moving its television base to another European country if the ITC does not it could then distribute its channels in the UK without complying with ITC regula-

including Flextech, the pay-TV company and Mirror-Tel, owner of Live TV - have already turned their fire on the ITC. MirrorTel has threatened to take the watchdog to court over its proposals. The ITC announced last

Other channel providers -

month that it wanted to end channel providers' contracts with cable and satellite oper ators to allow customers to subscribe to fewer channels

However, Viacom says this will lead to channels closing. The ruling may affect whether Viacom channels are carried on British Digital Broadcasting, the pay television service. BDB is thought to be keen to carry channels such as MTV on a 15-channel service to be launched this

However, Viacom is thought to be considering an offer from British Sky Broadcasting that would give Viation. BSkyB is thought to want the Viacom channels to be withheld from the rival television service.

NEWS DIGEST

UNITED NATIONS EMBARGO

Officials face probe over arms sales to Sierra Leone

An independent inquiry is to be held into allegations that Foreign Office officials approved the supply of arms to Sierra Leane in breach of a UN embargo, the government announced yesterday. Robin Cook, the foreign secretary, made plain his anger that ministers had been kept in the dark by officials about an investigation by Customs & Excise officers. Tony Blair, the prime minister, said in the House of Commons that any ministers or officials found to have colluded in any breach of the embergo would be disciplined. The Foreign Office confirmed it had told Customs two

months ago that Sandline International, a UK company, had broken the UN embargo by arranging for the supply of arms from Sulgaria to local forces in Sierra Leone. Together with Nigerian-led peacekeeping troops, these forces restored Ahmed Tejan Kabbah, who had been ousted in a military coup in 1997, to the presidency in March this year. Sandline's wyers have claimed that despite the embargo the company had Foreign Office approval. Andrew Parker, London

WD LANDESBANK'S EURO POLICY

Global launch for Thomas Cook

Thomas Cook, the travel agent, is launching a £25m (\$42m) giobal service, which it claims to be the world's most comprehensive, as part of its plans to replace foreign exchange income likely to be lost when euro notes and coins are introduced in 2002. The company, an offshoot of Westdeutsche Landesbank, claims to be the UK's biggest supplier of leisure consumer foreign exchange, John Donaldson, managing director, is quoted in the company's annual report, published today, saying that Thomas Cook faces threats from the single European currency, which will "undoubtedly impact the foreign exchange business". Global Services includes facilities accessed by a telephone call to a centre in England. It is Initally launched in English-speaking regions including North America, South Africa, Australia and the UK. By July the service will be available in 30 languages. Services include medi-cal assistance, cash replacement, hotel and flight reservations end travel insurance. Scheherazade Deneshkhu, London

SCOTTISH PARLIAMENT

Pian to speed up changes

The government yesterday outlined plans to accelerate the creation of a parliament in Scotland as an opinion poll for the first time out the Scottish National party shead of Labour in the battle to secure control of the assembly. The opposition Conservative party claimed that the proposals to allow the Scottish parliament to exercise its legislative powers from July next year - six months earlier than envisaged - was a penic response to the surge in support for the nationalists. They regard the parliament as a stage towards the re-establishme of an independent Scotland after more than 250 years of union with England. The SNP - delighted by its rating of 41 per cent in the Glasgow-based Herald newspaper, five points ahead of Labour - insisted it now had a realistic chance of forming the first administration. Donald Dewar, chief minister for Scotland in the UK government, said he took the poil seriously. Andrew Parker, London

CAMELOT LOTTERY CONSORTIUM

Anger over access to accounts

Carnelot, the consortium which operates the National Lottery, yesterday reacted furlously to a government decision to alk the National Audit Office, the public spending watchdog, access to its books. The company said the decision would give the office unprecedented access to the accounts of a regulated private company. Chris Smith, chief culture minister. said he wanted to ensure complete transparency in the way Camelot accounts for the £5bn (\$8.3bn) a year it raises through ticket sales, of which 28 per cent goes to "good causes". The members of Camelot are Cadbury Schweppes, the UK food and drink group; De La Rue, the security printera; Racal Electronics; and ICL, a UK offshoot of Fulitsu. George Parker, London

PASSIVE SMOKING CLAIM

Nurse seeks asthma damages

'A nurse was forced to give up work when she developed esthma from passive smoking through her duties in a private nursing home, a court in Manchester, northern England, heard yesterday. Sylvia Sparrow is seeking damages from the home's then owners, claiming she became III only after being forced to work in a part of the elderly people's home where there was a "smokers' comer". "Whether or not there is evi-dence of pessive smoking being the cause of asthma in an adult is possibly a most point," her lawyer said. "The diagnoals made was that this lady was probably predisposed constitutionally to asthma, which was symptomiess and remained symptomiess until she was exposed to the initiant of smolding In her daily work." Mrs Sparrow is claiming compensation for injury and loss of earnings. The company is defending the

Republicans try to reassure gunmen before special vote

Sinn Féin meets on Saturday to decide whether to accept the Northern Ireland peace deal. John Murray Brown reports

The British government has been attacked by anti-nationalist politicians in Northern Ireland and their allies in the opposition Conservative party for sanctioning the transfer of six Irish Republican Army prisoners from British jails to a prison in the Republic of The group includes the

so-called Balcombe Street Four, Jailed in London 23 years ago after a bombing campaign on the British mainland.

The move follows last month's decision by the government of the republic to release several prisoners.

Both decisions were taken with one objective in mind - cant. to encourage republicans to back the multi-party peace accord which Sinn Fein, the a sure measure of the widepolitical wing of the IRA, is to debate at a special party conference on Saturday.

Less than three years ago the party was justifying the use of violence to end British rule. Now it is taking a difrerent paun.

The news this week that campaign. the Irish National Liberation



ist party - may be considering a ceasefire is also signifi-

The INLA has so far opposed the IRA's truce. It is spread support for the peace deal in nationalist circles that the "wild men" of republicanism, as INLA members are sometimes described, now judge the political climate not condu-

Another signal was given Army - a small breaksway in Monday's Irish Times IRA statement ruling out rate political entity.



British soldiers on patrol in west Beliast yesterday before the errival of Tony Blair and John Major, who will campaign together for a Yes vote to the peace extrement for the region

York's Irish Voice - backed Sinn Féin's newspaper, is necessary two-thirds backing the deal, Irish government officials say Mr O'Dowd, a close friend of Gerry Adams. the Sinn Fein president, has often been used as a mouthpiece for Sinn Fein.

Behind the scenes, Mr Adams has been squaring the deal with the IRA. Security officials say there was a meeting last weekend of the army executive - which has

its core principles at Saturday's conference. Significantly, the IRA

licans to support the Sinn Féin leadership. Taking seats in a British-

run parliament in Northern a sister of Bobby Sands, the Ireland will be difficult for IRA hunger striker.

now seen as an attempt to for such a stance - probably reassure IRA militants that under a motion proposed by the party would not betray a senior Sinn Pein figure, again to reassure hardliners this is not a sell-out.

Some republicans have statement encouraged repub- defied the leadership and attacked the deal - most notably the 32-county soversignty committee headed by

sent de facto recognition of to approve the deal without The timing of the hardline Northern Ireland as a sepa- significant dissent, it would be a tribute to the standing republican group linked to newspaper when Niall any arms handover in An But government officials of Mr Adams, and to his the Irish Republican Social- O'Dowd - publisher of New Phoblacht/Republican News, expect the party to give the courting of his grassroots.

PENSIONS PHARMACEUTICALS GROUP MOVES:\$1.3BN AWAY FROM INDUSTRY'S BIGGEST MANAGERS

Zeneca to seek top-flight fund managers

Zenera, the pharmaceuticals group, is to look for several "up and coming" fund managers after moving £800m (\$1.3bn) of its £2bn pension scheme away from the industry's biggest managers.

The decision comes after gest pension fund consulbalanced approach which has dominated the UK indus-

UK companies have tended to appoint a handful of managers to run big balanced portfulios, which give the individual manager discretion over all asset classes.

The job does not exist yet.

but there is no shortage of

elected mayor has produced

a cascade of former MPs.

media stars and self-publi-

cists eager to take what will

be one of the highest-profile

Londoners will vote today

during municipal elections

- on whether to have a

jobs in British politics.

Zeneca is among the first of UK. Watson's chients to publicly advocate this shift.

advocated by Watson for its biggest clients.

The company is also to follooking for a bigger number ber of managers from five to about 12.

Ray Martin, head of pensions at Zeneca, said: "We will look for those with a good investment process although not necessarily a good track record." His com-Others are expected to fol-ment overturns received

low the move, though investment practice in the fund it managed for Zeneca, directors among the FTSE The three companies

which lost out under Zeneca's decision to put. Zeneca's changes - Mercury the £800m into an index- Asset Management, Schroder tracking fund for the first. Asset Management and time heralds the change PDFM - are the UK's three biggest pension fund manag-

The first two lost half of Watson Wyatt, the UK's big- low Watson's advice in their funds under management for the group, or £300m tant, signalled a move away of smaller managers to look each, after the balanced from the traditional active after its portfolio. The group funds they managed seriaims to bring its total num- ously underperformed last year. The £600m managed by MAM underperformed by some 10 percentage points in the period.

PDFM, which has underperformed the industry benchmark for much longer than the other two, lost 250m from the UK equity

Legal & General won the index tracking mandate for an opening shot in what the group, which is mainly could be a bitter debate over invested in bonds. JP Morgan will continue to run mance last year.

morale by regaining a toehold in

some of the big city authorities

outside London seem slim.lin

the cities, the battle is between

Labour and the pro-European

antipathy despite the parties'

fought with deep mutual

to be left with £100m to man- 100 index of leading compa-

The survey will be seen as

whether the UK should fall into line with international practice and start estimating pension costs using current market prices. The UK traditionally has taken an actuarin approach that values pensmoothes costs over a number of years. The standards board is due to publish a discussion paper on the subject in the next two weeks.

The International Accounting Standards Committee, which is trying to forge a global set of accounting standards, has !backed a market value approach.

2500m for Zeneca in overseas equities after good perfor-

 Companies with pension schemes worth a total of £70bn have warned that sions over the long term and accounting reforms could increase pension costs and shift assets from equities to gilts (UK government bonds). Jim Kelly writes.

This should give the Accounting Standards Board cause for concern," said Bob Senior, a partner at actuaries Bacon & Woodrow, which surveyed 37 finance

Lord Archer may be nomi by Conservative party activists

relatively cordial relations nationally.

the Evening Standard, London's evening newspaper, indicates a couple of popular choices. One is Richard Branson, the Virgin chief, who seems to fancy the job but says he is probably too occupied with business. The other is leftwing MP Ken Livingstone, the last leader of the Greater London Council, the former Labour-dominated authority for the capi-

Mr Blair has made clear that Mr Livingstone will not be allowed to be Labour's William Hague, leader of

the opposition Conservatives, has similar problems. He hopes to halt the highprofile campaign of Lord Archer (the novelist Jeffrey Archer) to get the Conservative nomination. The party's selection process - voting by party activists - might well

candidate is Glenda Jackson a transport minister, and forfilm actress.

Investors scorn 'unjust' UBS pay-out proposal

The international investors who lost \$10m in Jersey's claimed profits of \$16m. that the \$23m set aside by UBS for compensation is "inadequate" and "unjust" fairer figure. Nearly 90 investors lost

money invested through currency deals carried out in Jersey by Robert Young through Cantrade Private Bank, a UBS subsidiary.

Mr Marsh claims that if the investors are to get a proper return the compensation offer must be doubled. Jersey is the largest of the Channel Islands between England and France.

Mr Young, an independent trader originally from Not- their money elsewhere. tingham, England, reported making healthy profits for basket of internationally \$3.5m. He said the investors the investors when he was accepted and unleveraged were getting between 110 incurring big losses. His indices of US Treasury and 130 per cent of their friend Alfred Williams, a former tax adviser and partner bonds and global equities the interest being paid was mer double-Oscar winning with Touche Ross's Notting- they are owed \$48m, not based on six-month deposit ham, England, branch, pro- \$23m."

duced documents purporting to audit the false trading fig-civil action against Cantrade ures, which at one point in the Jersey courts some Mr Young, 44, and Mr Wil-

guilty in March in Jersey's Royal Court of making misand that \$46m would be a leading, false or deceptive and economics committee statements to investors and are being sentenced today. Also to be sentenced today

Swiss-based investment is Cantrade Private Bank. It This led to a separate civil manager Michael Marsh in avoided trial by pleading action being brought against guilty in February to four the committee. charges of criminal recklessness by making misleading investors want the fight to it is understood, a leading European bank has admitted such offences.

> a sum that equates to the ment to victims of fraud." profits they would have enjoyed if they had invested

years ago, but last Novemliams, 49, were both found ble damages" action in New York. In 1994, Jersey's finance

> refused a request from the investors to undertake an investigation into Cantrade. Mr Marsh added: "Most

statements - the first time, go to the bitter end through trial in New York because they are fed up with the bank's unethical attitude In Geneva, Mr Marsh said and fed up with the hostility the investors should receive shown by the Jersey govern-

A Cantrade spokesman confirmed yesterday that 16 of the investors had accepted "Based on a diversified compensation totalling bonds, global corporate original investment and that

A COLOR STATE OF THE STATE OF T

turnouf may be low, they will say yes. It is clear now, after initial doubts, that the job will be worth having. The mayor will have the biggest individ- a fifth of New York's. Little ual mandate of any UK politwizm, with an electorate of (municipal tax based on valmore than 5m. The mayor will be directly in charge of transport, a new London government grant development agency, a new police authority, strategic planning and a new fire

Unease among big parties as local electors go to polls

mismanagement in a few local

will perform far less well than in

authorities will mean that they

allegations of Labour sleaze and Conservative hopes of reviving

Voters go to the polis today in 166 municipal elections in candidates. The prospect of England and none of the main becoming London's first parties is particularly looking forward to the results, Nicholas Timmins writes, For the Conservatives, it is the first big test since their national election defeat just over a year ago. For the governing Labour party, the worry is that apatiny and

the national poll. With only a third of seats contested in most authorities, few councils are likely to change hands. Much interest will focus on London, where all seats are up for grabs in the 32 boroughs. mayor and assembly. Every the London government

LONDON CITIZENS DECIDE IN A REFERENDUM TODAY IF THEY WANT AN ELECTED MAYOR

Hopefuls line up for capital job

of Economics. "More like the mayor of New York than of ied mayoral systems in the Paris or Berlin." The direct budget he or US and Europe, says the crushe will control will be about cial issue in deciding a city's will come from council tax ues of domestic property);

the bulk will be from central The mayor will also have and instructing people to do to work with the capital's things and deliver - as Giulinew assembly. But he or she will propose the budget and

two-thirds majority is hard poll shows that, though the group at the London School to assemble in any legislature," Mr Travers says. Mr Travers, who has stud-

government is the personality and style of the mayor. "The first mayor will be able to decide whether he runs the city with a small, central core, setting the strategy ani does in New York - or authority.

"There is no doubt the "There is a strong mayor," majority of the 25-strong model is a strong mayor," majority of the 25-strong local authority with traditional command structures, ernment in 1986. whether it will be run much

with much more diffuse power," he says.

It is an issue already worrying the parties. A poll in official candidate.

> deliver this. Another possible Labour



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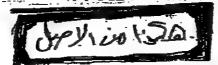
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CINEMA REMAKE OF 'LOLITA'

Gagged by the New Suppression

Nigel Andrews regrets that Nabokov's classic tale is now artistically off-limits

been on the shelf so long ardently, so naughtily, that that we expected it to poor Jeremy irons's Humemerge mantled with mildew or writhing with things innocent. unmentionable. For two years distributors wouldn't the audience will give him a touch this new version of the US, where it will premier on cable TV. And outrage from the Daily Mail - where else? - greeted the British censor's own belated decision to give it an 18 certifi-

Surely this used to be a grown-up planet? As recently as 1963 when Stanley Kubrick opened his Lolita, filmmakers could dra-

LOLITA Adrian Lyne

THE DESIGNATED MOURNER **David Hare**

> WILD MAN BLUES Barbara Koppie

matise the deeper, quessi sins of man and woman. That didn't mean they endorsed them. But today we are gagged by the New Suppression. Humbert Humhert's paedophilia - that sheen worthy of the director word that sends Daily Mail readers stampeding to their smelling salts - is not just bad, it is artistically off-limits. And newspaper bosses have realised a happy lexical have to be that bland and coincidence. As "propri- wistful? And though the film etors", they can surely honours the novel in demot- an almost different experidecree propriety?

by If Adrian Lyne's film is il-ex-machina role - rather have found a cinematic "way

Adrian Lyne's Lolita has Lolita swarming over him so bert seems an ambushed

Every heterosexual man in

free pardon. And every girl Nabokov's nympholepsy of Lolita's age will be too classic: they still won't in young to enter the cinema and protest at her portrayal. As for Nabokov, he will perform rotisserie motions in his grave. He will turn and burn at the idea of his richly complex motivation - a girl who suffers as well as teases. a man who schemes as well as succumbs - simplified into another tale of St Jeremy the Erotic Martyr (see

Malle's Damage).
The actors deserve better than their scripted roles. Swain's Lolita has a restive, believable spontaneity lightyears ahead of Kubrick's Sue Lyon. And though Irons can-not manage Humbert/Nabokov's mischievously dandyish locution - his voice-overs are flat and prosy - he is wonderfully sad and funny in extremis. When screenwriter Stephen Schiff gives Lolita's unsuspecting mother (Melanie Griffith) a tacky double entendre - "Is she keeping you up?" she asks -Irons consecrates it with an unforgettable look of droll

Elsewhere Lolitz has a glib

of Flashdance and Fatal Attraction. Did the light have to be quite so margarine-commercial golden? Did Ennio Morricone's music a lighting change. ing abductor Quilty to a devguilty, it is through too than the character pentathing to the play, as Louis much propriety of its own. It kin Kubrick gave Peter Sell-Malle did with another apologises for its hero's sin- ers - Frank Langella's perfulness in a glib opening formance is so good, so On and St. But on cassette flashback - unrequited love bleak, so darkly ranging that it matters less. The film



THE ARTS

Offending propriety? Jeremy from and Dominique Swain in Adrian Lymne's "LoSta"

walpurgisnacht that was rewind to re-savour. It opens Nabokov's book.

I thought I would die watching The Designated Mourner, David Hare's film of Wallace Shawn's stage three-hander about love, totalitarianism and the treacheries of the artist class, at the Berlin Film Festival. It is a talkfeast without remission. The faces of Miranda Richardson, Mike Nichols and David de Keyser alternate in unspering close-up while delivering long, complex, literary arias. Sometimes, like a drop of water to a prisoner, there is

I re-viewed it on video and - startling but true - found muce. Here could and should Shawn-work, Uncle Vanya

up new depths in the piece. While not making it The Passion Of Joan Of Arc - the greatest of all talking-heads films - it does allow the words and facial workings to haunt and resound. Filmmaker Mike Nichols, moonlighting as a mummer, is especially good. Hold out for his last acene. Wild Man Blues is a docu-

mentary about Woody Allen's European jazz tour. This may sound frustrating. like following Oscar Wilde through a billiards tournament. But between the music sequences - New Orleans jazz played to charity-giving audiences from Rome to Paris - come the off-duty bits and they are very funny.
Allen and girlfriend

hotel breakfast: "It's vuicanised," he complains of his for a girl at school - and we want more. It is our first becomes a tactile text: you teeth-testing Spanish during through a tale of love, a shy office worker finds his and phony accents. Avoid, then has Dominique Swain's glimpse into the true comic can dawdle, scrutinise or omeletts. Agoraphobic Allen kleptomania and belea- secret passion. Corny at and warn your friends.

enduring a gondola ride. guered masculinity. Bourdo Allen fielding a socialite's resembles a midget Jeanbombardment of compliments ("Don't stop," he says, "maybe I can heln you out"). Allen back in New York introducing us to his father and mother. That she turns out to be the ultimate Jewish momma, beyond any Allen-devisable caricature, is the funniest irony of all. Summing up his childhood she shrugs querulously at him, "You did a lot of good things, but you never pur-

Elsewhere there are so many new films that I can only grab you by the collar and hasten you through them like a stressed tour guide.

Western (directed by Manuel Poirier). Endearingly shaggy two-and-s-quarterhour French road comedy Soon-Yi grouching through a with a Gallic Little and Large (Sergi Lopez, Sacha Bourdo) meeting and mean-

Louis Barrault, Lopez a tall Afro-topped turnip. Together they establish a chemistry so improbably satisfying that it will probably generate a

sequel Something To Believe In (directed by John Hough). More roadwork, this time uphill. Love blooms between dying girl Maria Pitillo and piano prodigy William McNamara on their journey towards a miraculous weeping Madonna. Can the Virgin save her? Or will Pitillo's faith be destroyed by Lalo Schifrin's music and Tom Conti's turn as a stage-ltalian priest? Some charm, much scenery, more tinpot

sentimentality. Shall We Dance? (directed kind of Strictly Ballroom: life, love and two-left-footed-

times. But watch out for a comic madman called Naoto Takenaka, the best thing in a toupee since Connery's

Martha - Meet Frank. Daniel and Laurence (directed by Nick Hamm). Reader, meet the film that Sliding Doors might have been. Life's ironies propel a pretty American into the serial arms of three mutually unsuspecting friends. Amiable and funny if fitful. Rufus Sewell, formerly the dead face of screen costume drama, has a quirkily modern role at last and makes it count

Amy Foster (directed by Beeban Kidron). Joseph Conrad, thou shouldst be living, or possibly suing. Abjectly adapting his sea's edge story by Masayuki Suo). Japan's of doomed love between a newest box-office smash is a Cornish girl and Ukrainian castaway, Kidron lets stars Rachel Weisz and Vincent now in a dance school where Perez pile on the ham acting

Tonys ignore the stars

No New York theatre goes was terribly surprised nominations for the 1996 Tony awards were empounced, that most of names mentioned were associated with either Ragtime or The Lion King. Between them those two musicals have 24 nominations, and although their battle for the Best Musical award will certainly be the ceremony's big event their predominance provoked little interest.

As usual it was the missions that had everyo talking, particularly those of Liam Neeson and Kevin Klime in the Best Actor in a Piay category. New York critics had been as divided as those in London by Neeson's attempt to portray the hearty side of Oscar Wilde in David Hare's The Judas Kiss, and Kline's performance in the title role of Chekhov's *luanou* had an equally mixed response, but the shortage of household names among the nomineer does not augur well for the television ratings potential of the awards tele which will be held on June at Radio City Music Hall.

On the other hand, Kline may be persuaded to be a presenter, and Neeson is sure to show up to cheer or his wife, Natasha Richardson, who is the favourite in the Best Actres in a Musical category, for the smash hit revival of Cabaret, which received 10 nominations.

If the Tony telecast is muble to match the Oscare in star power, at least it has not turned into a fashion parade. The focus is clearly on the competing artists, and in several areas it will be quite a race. In the Best Actor in a Play category, Anthony La Paglia gives a devastating performance at a troubled Brooklyn dock worker in the revival of Arthur Miller's A View from the Bridge, but John Leguizamo injects similarly intense bravura into his autobiographical one-man show, Freak

La Paglia's co-star, Allison Jamey, and Geraldine McEwan, in the transfer of Ionesco's The Chairs, may have seeme the Best Actress in a Play front runners just a few weeks ago, but now that Martin McDonagh's The Becutsi Queen of Leenane has moved from the Atlantic Theatre to Broadway, Marie Mulien should not be

Becuty Queen and The Chairs each received six nominations, the most of any non-musical. The McDonagh play and Yasmina Reza's Art will compete for Best Play, alongside Freak and David Henry Hwang's Golden Child. Beouty Queen is the favourite of Broadway analysts. Frenk is beloved by young audiences, and Golden Child may be the choice of everyone who wants well-written work to find a home on mega-musical-heavy Broadway.

Brendan Lemon

Adolescent angst whipped and Bobby C is so good: his here than he was in Top and to keep Dogs. up at the disco again

THEATRE

alastair macaulay Seturday Night Fever London Palladiam

The new stage musical of Saturday Night Fever is good harmless fun, and very appealing. Sure, the 1977 Travolta movie was something else; it was certainly not a musical - despite its disco dancing - and certainly not harmless. The success of the Saturday Night Fever musical lies precisely in the degree to which it does change the original. Here the characters actually sing the Bee Gees songs, and dance most of them; and it is the songs that carry the show, over the story's tales

The ending, in particular, ought to be ludicrous. Stephanie and Tony agree to try being just friends - their dialogue is surprisingly shrewd, with Stephanie asking him if he even knows how to be friends with a girl - and then they switch gears into "How Deep Is Your Love". Lurve, lurve, lurve: the usual old panacea. But when the curtain-calls turn into 10 more minutes of high-energy dancing for the whole company, you feel the churning motor energy of adolescent neurosis.

Adolescence is, after all, the central axis of Saturday Night Fever. At one pole lies the lyrical/aggressive control of disco dancing, at the other, lies the mixed-up per-

of adolescent angst. plexity and angulah of adolescence, which now and then is whipped up into real hysteria. In the Saturday Night Fever musical - as in the movie - it is Tony and his partner Stephanie who best represent the story's disco side; and it is Tony's nerdish comrade, Booby C, who best represents its confusion and hysteria.

> pregnant; is told by her and his parents that he must marry her; is too much taken for granted by his pals; tries to outgo them in the daredevil games they play on Brooklyn Bridge; falls to his death. In this yersion, needless to say, he sings a couple of songs an route. It works, because Simon Greiff's performance

Bobby C gets his girlfriend

anxiety to please and to keep up with the gang is already feverish at the start, and he grows only more anxions and helpless. A perfectly judged interpretation. The disco element doesn't

quite catch the galvanising impact of the movie, but it does catch the general highvoltage throbbing lyricism that disco had in the late 1970s. No surprise, this: the show's director/chorecerapher is Arlene Philips, who rose to fame on the original disco wave at that time. The full charge of disco style is best caught in the "It's My Neighbourhood" ensemble. Here the vigour of pelvis and thigh is seen strutting with fierce rhythmic precision.

Elsewhere the dancers, though they gyrate those pelvises in good post-Elvis style, don't catch the force of the Travolta strut. Adam Garcia, as Tony, has a completely rock/disco mentality. Indeed, he is a better dancer

Dogs.
He is also a good singer

and a very decent actor; you feel that his Tony is partthug, part-gent, and his soft/ sweet centre takes you by surprise. And his occasional facial resemblance to Travolta will do him no harm. Anita Louise Combe as Stephania also sings very well; her dancing is a little more coarse-grained than is

ouite appropriate. The best dancing of all is from Sam Mcavoy (as Nicky) amid the The sets, by Robin Wagner, are a spectacular assortment of New York exteriors and interiors; and Andrew Bridge's lighting brings back days of Studio 54. Although Andy Edwards's costumes

remind you of the more absurd face of the 1970s and although the whole show tends to be callow and too bright - the sheer exuberance of this Saturday Night Fever proves insidious.



INTERNATIONAL

^e Arts Guide

BARCELONA

EXMIBITION

Fundació Joan Miró Tel: 34-3-329 1908 www.bcn.fjmiro.es Private negatives, public fictions: 100 photographs from the ction of the Musée National d'Art Moderne in Paris. Includes works by Robert Doisneau, Dora Mear and Man Ray, from today until Jul 12

BASLE FYHIRITION Kunstmuseum Tel: 41-61-271 0828

1. 2¹ T

www.kunstmuseumbasel.ch Andy Warhol: Drawings 1942-1987. Around 230 works by the American pop artist, most of them on loan from the Andy Warhol Museum In Pittsburgh and the Warhol Foundation in New York; to Jul 19

BERLIN DANCE Tel: 49-30-34384-01 Deutsche Oper Ballet: triple bill of

works by Kylián, Bigonzatti and Forsythe; May 8, 9, 10

BRIGHTON THEATRE Brighton Festiva Tel: 44-1273-685 861 The Cherry Orchard: by Chekhov. Rimas Turninas directs a production by the Small Theatre of Viinlus, Lithuania. With English subtitles; Gardner Arts Centre, University of Sussex; May 7, 8, 9

OPERA La Monvaie Tel: 32-2-229 1211 Il Ritomo d'Ullisse: by Monteverdi. New production conducted by Philippe Pierlot in a staging by

BRUSSELS

William Kentridge. With the Handspring Puppet Company, at the Lunatheater; May 9, 10, 12 CHICAGO CONCERTS Orchestra Halt Tel: 1-312-294-3000 www.chicagosymphony.org

Chicago Symphony Orchestra:

and Sibelius. With soprano

Christine Schäfer, May 7, 8, 9

conducted by Mark Wigglesworth

in works by Debussy, Mozart, Berg

EXHIBITION Art institute Of Chicago Tel: 1-312-443 3600 www.artic.edu -Raule: African Art/Western Eyes. This first ever major museum show of Baule art comprises around 125 works, ranging from wooden

sculptures and masks to pottery, jewellery, textiles, and tools; ends on Sunday

EDINBURGH EXHIBITION Scottish National Gallery of Modern Art Tel: 44-131-624 6200 William MacTaggart (1903-1981): retrospective of the Edinburgh modernist. Includes around 50 paintings, watercolours and drawings, the majority borrowed from private collections and

seldom exhibited; ends on

Sunday

GLASGOW

Scottish Opera, Theatre Royal Tel: 44-141-332 9000 The Queen of Spaces: by Tchafkovsky. Conducted by Richard Armstrong in a staging by Yannis Kokkos; May 9, 12

HELSINKI

OPERA Finnish National Opera Tel: 358-9-4030 2211 The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tiliberg. Conducted by Mikko Franck: May 7

LAUSANNE **OPERA** Opera de Lausanne, Théâtre Tel: 41-21-310 1500 Il Matrimonio segreto: by

Cimarosa. Conducted by Jonathan Darlington in a staging by Alain Marcel, Cast includes Alison Hagley; May 8, 10, 12

LISBON DANCE

100 Days Festival, Expo '98 Pina Bausch: specially commissioned new work; Main Auditorium, Centro Cultural de Belėm; May 11, 12

LONDON CONCERTS Royal Featival Hall Tel: 44-171-960 4242 Barenboim Beethoven Cycle: series of six concerts, with Barenbolm conducting the nine Symphonies and directing the five Piano Concertos from the keyboard. With the Staatskapelle Berlin, the London Symphony Chorus and soloists that May 7

EXHIBITION National Gallery Tel: 44-171-839 3321 Masters of Light: Dutch Painting from Utrecht in the Golden Age. Brings together 74 works produced by painters working in the city of Utrecht in the first half of the 17th century. Previously seen in San Francisco and Baltimore; from today until Aug 2

LOS ANGELES L.A. Opera, Dorothy Chandler Tel: 1-213-972 8001 www.laopera.org

Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast inc Vladimir Bogachov; May 8

MILAN OPERA Teatro alla Scala 7ali 39-2-88791 Der Freischütz: by Weber. Conducted by Donald Runnicles in a staging by Pier'Alli, with a cast including Kim Begley and Nancy Gustafson; May 7, 9, 12

MUNICH CONCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 David Heligott: Rachmaninov's Piano Concerto No. 3. With the Munich Symphoniker, conducted by Jeanpleme Faber, May 8 Die Schöpfung: by Joseph Havdn. Concert performance conducted by Hayko Siemens;

 Milan Symphony Orchestra: conducted by Alan Francis in works by Mozart. Bruch and Schubert. With pianists Ferhan and Ferzan Onder, and violin soloist Anton Barachowsky, May 7

NEW YORK CONCERTS

Lincoln Center Tel: 1-212-721 6500 www.lincoincenter.org New York Philinamonic: conducted by Leonard Statikin in works by Fine, Mozart and Dukas. With pieno soloist Alicia de Larrocha;

Avery Fisher Hall; May 7, 8, 9, 12

PARIS CONCERTS

Théâtre des Champs Elvséer Tel: 33-1-49525050 Cyril Huvé: recital by the planist of works by Brahms; May 11

EXHIBITION Mundo du Louvre Tel: 33-1-4020 5151 www.iouvre.fr La Collection Lemme: 17th and 18th century Italian art. Exhibition to mark the gift to the Louvre of 20 paintings and a sculpture. The 130 paintings on display include religious and mythological subjects and portraits; to May 11

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 6000 www.stsymphony.org San Francisco Symphony Orchestra: conducted by Peter Maxwell Davies in the world premiere of his own new work. A Real of Seven Fishermen. The programme is completed by works by Haydn and Shostakovich. With cello soloist Lynn Harrell; May 7, 8, 9

STOCKHOLM CONCERTS Königlichen Oner Tel: 46-8-248 240 Deutsche Oper Orchestra: conducted by Jirl Kout in works by

Weber and Dvořák; May 10

OPERA Königlichen Öper Tel: 46-8-248 240 Deutsche Oper: Tannhäser, by Wagner. Conducted by Jirt Kout in a staging by Götz Friedrich; May 7, 9, 12

WASHINGTON EXHIBITION Nettonal Gallery of Art Tel: 1-202-737 4215 www.nga.gov Mark Rothko: major retrospective of the American abstract artist. including loans from Europe and Japan; to Aug 16, then travelling to New York and Paris

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At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

octors and journalists in the US are racing to see who can write the word "Viagra" most frequently.

The number of prescriptions for Viagra, Pfizer's impotence drug, reached 208,000 in the week to April 24 - just its third week on sale - according to IMS, the healthcare information company. That makes it the fastest selling new drug in history, outstripping even Prozac, the anti-depressant launched in 1988.

The demand is being fuelled by media hype that has also reached unprecedented levels. It is hard to steady hand. avoid stories about the first pill to treat a sexual problem affects almost half of men over the age of 40. Every television and radio chat show is interviewing satisfied consumers - putting an instant end to the long-held taboo on men talking about impotence in public. And of course internet sites are huzzing with advice about getting hold of the precious pills, which are supposed to be available only on prescription,

Among the blizzard of comment, two themes stand out. First, that Viagra ushers in a new era of "lifestyle" drugs. Second, that it - and drugs like it - will be gold mines, transforming the companies that make them. Well, up to a point.

The favourite argument among commentators is that Viagra represents the start of a new wave of medicines taken by people who are not seriously lll in an attempt to improve their quality of life. Although Viagra is licensed in the US for treating "erectile dysfunction", a recognised medical condition, a "smart drug" for students. there is already plenty of anecdotal evidence to show that it enables normally potent men to improve their sexual performance. Trials wrinkling creams to rejuveare also under way to see whether it can improve the sexual responsiveness of women; initial results are

But lifestyle medicines are not new. Ell Lilly's Prozac is perhaps the best-known. Prozac and similar antidepressants are widely used to enhance the mood of people who are feeling down or unhappy but not clinically

Take one before bedtime

Clive Cookson and Daniel Green look behind the hype surrounding the world's fastest-selling drug ever

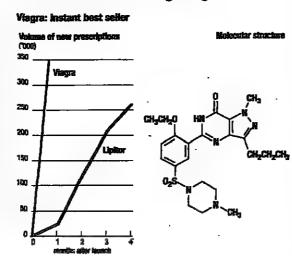
group of drugs called beta-blockers - designed for heart patients - has been used by concert musicians, television presenters and other public performers to reduce nervousness. They have been banned in sports that need a

It is true that lifestyle medicines may be set for that, by some estimates, greater popularity now that the generation that discovered recreational drugs in the 1960s is beginning to creak in the limbs. The babyboomers, as they are known in the US, have the economic and social power to buy legal drugs to help them along a little.

But developing safe products for them will not be easy, despite the rapid advance of pharmaceutical research. For example, a safe and effective slimming pill is near the top of many people's wish list. Yet two of the most promising diet drugs, Redux and Pondimin, had to be withdrawn last year when evidence emerged unexpectedly that they damaged users' heart valves.

Another type of drug in development that could become a popular lifestyle medicine is the memory enhancer, designed to rescue the failing brains of Alzhelmer's patients. If this works without significant side effects, there is bound to be a huge demand for it as Other lifestyle candidates include fast-acting sleeping pills that do not disrupt normal sleep patterns and anti-

nate ageing skin. On the whole, mainstream pharmaceutical companies are reluctant to be seen to be developing lifestyle medicines. The ethos of the industry - and its regulators - is to satisfy medical needs. So Pfizer has made strenuous efforts to prevent people describing Vlagra as an aph-



semantics. Pfizer says that Viagra requires sexual stimulation to work - but the very fact of taking a potency pill will give many men a mental stimulus. Middleaged men have given testimonials to Viagra's ability to awaken long-dormant sexual

Viagra works by blocking an enzyme called phosphodiesterase type 5 (PDE5).

> 'This is unlike any other drug in terms of

its build-up'

This action facilitates the flow of blood into the penis, producing an erection. It has been tested in clinical trials on 4,500 men. One tablet, after about an hour, gave stronger and/or longer lasting erections to about 80 per cent of participants.

Inevitably, as with any effective drug, there are sideeffects. Pfizer reports a wide range of "adverse events" Whether you regard a from the clinical trials. Prilosec, the ulcer drug that drug that enhances sexual These are "generally tran- is the best selling medicine performance as an approdis- sient and mild to moderate in the US, is attracting less

Corporate Property

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iac is partly a matter of in nature", the company says. The most frequent are headache (suffered by 16 per cent of Viagra takers and 4 per cent of those who took placebo pills) and flushing (10 per cent and 1 per cent respectively).

One strange effect (which would not have surprised those Victorian moralists who warned that too much sex made you blind) is abnormal vision; 3 per cent of Viagra takers saw unusual coloured tinges, increased sensitivity to light or blurred shapes.

Pfizer will be fortunate indeed if Viagra does not tors. Pfizer researchers dishave other side-effects that are too rare to show up in clinical trials but will make themselves felt when millions of people are taking the drug. If that were to happen, the company would be vulnerable to high-profile lawsuits such as those that hit Eli Lilly over Prozac.

For the moment, however, everyone is looking on the bright side. With new prescriptions running at almost 1m a month. Viagra is not only the most successful new drug, it also outstrips any established bestseller.

FINANCIAL TIMES

6 & 7 July 1998, London

than 700,000 new prescriptions a month. Lipitor, the cholesterol-lowering medicine which was the previous record-selling new drug, is now making about 500,000

new prescriptions. On this kind of growth, it is easy to make extravagant sales forecasts. If 10m men take one \$10 Viagra pill 50 times a year - a modest assumption given the level of impotence - annual sales would reach \$5bn in the US alone. By comparison, US sales of Losec were \$2.3bn in

This is unlike any other drug in terms of its build-up," says Kevin Scotcher, pharmaceutical analyst at BT Alex Brown "People are now waiting to see whether these astronomical numbers can be sus-

But an important influence on future sales will be the policy adopted by healthcare providers over paying for Viagra prescriptions. Insurers in the US are still working out what to do. Some have decided provisionally to pay for Vlagra if the patient has a doctor's certificate for erectile dysfunction - but only for a reasonable number of pills, typically 10 a month at a retail price of \$10 each.

According to IMS, however, "this drug will be successful regardless of reimbursement decisions". The evidence shows that, while 24 per cent of all prescriptions for US drugs are paid for by the patient, the figure so far for Viagra is about

The main factors that could hit Viagra's growth are unexpectedly serious side effects and the emergence of superior competi-Viagra's covered anti-impotence application by accident, its active ingredient, sildenail, was originally developed as a heart drug until early volunteers reported its sexual effects Researchers in several pharmaceutical companies are already working to find new molecules that are more effective than sildenafil, with fewer side-effects.

Meanwhile, Viagra looks as if it will go down in history as the drug that made ageing baby-boomers feel young again. Indeed, if its popularity is sustained, it could soon lead to a baby

LETTERS TO THE EDITOR

NGOs were not alone in mounting opposition to investment treaty

From Mr Charles Anden-Clerke.

or as equipment <u>of the supplies of the suppli</u>

Sir, The suspension of negotiations on the multilateral agreement on investment is not solely an achievement of the nongovernment organisation networks that Guy de Jonquières cites in his article ("Network guerrillas". April 30). Government ministries other than trade or finance and parliaments had a crucial role, as they analysed and reacted to the implications of the treaty. For example, the European parliament voted against accepting the MAI in its curassessment of the MAI that rent form by a margin of 437 has been initiated by the to eight. This cannot be a

product of NGO perceptions and actions alone. The reasons for this can be tions" will have to do so precisely because "trade liberalisation impinges far more directly than ever on ordinary people's lives ... ". It territories of other government ministries, such as opment co-operation, etc. about, This is exemplified by the formal environmental

Ultimately, what the MAI International, experience demonstrates is the need for earlier and 1196 Gland, Switzerland

drawal of Turkish troops

from Cyprus, recognise the

found in two quotes from deeper integration between that same article. The trade all policy areas in our diplomat reflecting the increasingly complex and interconnected world. This approach to international integration has to happen at economic and trade negotia- both national and international levels, including at meetings like the forthcoming World Trade Organisation nunisterial meeting in Geneva. Liberalisation withalso impinges far more out integration, and more directly on the policymaking public accountability, is a recipe to build further on the "globalisation backlash" environment, health, devel-

Means and a second a second and a second and a second and a second and a second and

Charles Arden-Clarke. head, trade and investment

unit World Wide Fund for Nature Avenue du Mont-Blanc.

Formula for Cyprus already condemned

George Chrusaphinis.

Sir, Edward Mortimer's "new formula" for Cyprus amounts to everything that Turkey was hoping to achieve when it invaded in 1974 - that is, the establishment of an internationally recognised Turkish state in Cyprus ("Rethink on Cyprus", May 6). Such an outcome has been repeatedly tions over the past 24 years.

Cyprus Republic as the only legal government for the whole of Cyprus, and the right of refugees to return to their homes. These resolutions recog-

nise that Cypriots' human rights are being violated by Turkey's invasion and con tinuing occupation. The EU should play a constructive condemned by UN resolu- role in Cyprus and strive for a solution that involves, as Such resolutions declare the far as possible, the restitu-Turkish invasion illegal, tion of these rights. The EU demand the unilateral with- has enormous leverage on

Turkey but has displayed an exasperating lack of willpower when it comes to using it.

If Tony Blair, the UK prime minister, were to yield to Turkey's latest caprices (as Mr Mortimer suggests), it would be another act of great political cowardice. Europe needs true leadership, for the sake of Cyprus.

George Chrysaphinis, 2 Ellis Street,

Bit of a squeeze is the more likely outcome

Sir, In your leader, "Europe's leap of faith" (May 1), on the Emu summit you stated: "Price transpar-

ency will exert powerful downward pressure on While that may be the

can see that price transparency will tend to "equalise" prices downwards, the effect could find their margins on costs may not all be in the same direction.

Human nature being what it is, wage transparency will tend to equalise labour costs hope, strictly speaking in an upward direction -

Number One Southwark Bridge, London SEI 9HL

have been "prices"? While I a company's biggest area of expense.
So "Euro businesses"

being squeezed from both

69 Gloucester Road Kingston-upon-Thames shouldn't the final word and of course these are often Surrey KT1 3QW, UK

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FT INTERVIEW MADELEINE ALBRIGHT

Ibright's trade offs David Gardner and Andrew Gowers

phors to describe the state of the Middle East peace process she has just spent two long days in London trying to salvage. But not quite.
"Instead of glue it's been

sandpaper" she says of the 1998 Oslo peace accords, a deliberately ambiguous framework for a partnership between Israel and the Palestinians. "The hope is that they will reconnect", she says, after her efforts this week to persuade Israeli prime minister Benjamin Netanyahu and Yassir Arafat, the Palestinian leader, to launch a final push for peace in Washington next Monday. That would require Israell withdrawals from Arab land in the West Bank. Mr Arafat has accepted the

still unpublished American formula - "not an American plan", Mrs Albright emphasises, but "a collection of ideas based upon months of negotiating". Mr Netanyahu, initially set his face against the core US proposal of an Israeli withdrawal from a further 13 per cent of the West Bank in exchange for greater Palestinian efforts is obviously for Israel to estinans enough for "final against Islamist terror. He has been given until this weekend to persuade his cabinet. No metaphors can with people who are living far seen little from the peace and the status against later that the later has been given until this weekend to persuade his secure if it can get along with people who are living far seen little from the peace and the status against that this is the later has been given until this secure if it can get along the status against later than the status against later mount to an ultimatum - with its other [Arab] neighand yesterday Mr Netanyahu bours." Asked whether Mr

bow to US pressure. tation to Washington state says evenly she is not phase - and that is nowhere depended on Israel's accep- going to apportion blame. tance of the "American But the security position Israeli mind". ideas", and that the US now, she says, is that "there if "final status" negotiather agreement would have to "re-examine" are mechanisms that have thous get underway next with Mr Saddam reached in its approach to the Middle been put in place...which week, she acknowledges, East peace process other- we believe are working betwise. Mrs Albright is too dis- ter - and in fact Netanyahu cult: nobody underestimates ciplined a negotiator to say has said they are working that". These would cover the so, but the implication of better. We have stated over least tractable issues, includsuch a re-examination is and over again that 100 per ing the the future of occuthat the US would spell out cent effort [by Mr Arafat's pied Arab east Jerusalem. for now, and "if it doesn't in public why the process police may not always bring the Jewish settlements in work." she says, "we'll have had broken down which 100 per cent effect." would put intense diplomatic The problem now, in her borders and whether the Palpressure on Israel.

Netanyahu's difficulties. The is a matter of trying to see focused more on method with Mr Netanyahu, not than content, Mrs Albright what is do-able." Mrs than content, Mrs Albright enough attention to Arab concerns. By next week we mentalists. But she judges But, in essence, it seeks to pieces...you put a lot of changing.

talk to the US secretary of state on the possibility of final status Arab-Israeli talks



tion in his cabinet."

"He needs to persuade them of what we're all persuaded," Mrs Albright says: Mr Netanyahu endorsed 16 that while "Israel's security

"he is in a preity strong posi- wrap up the "interim" deal on withdrawal from the West Bank which the late Yitzhak Rabin signed and

months ago, giving the Pal-

obscure that this is tanta- cheek-by-jowl, as well as process "so for them the interim steps were necessary to put flesh on the dreams", declaimed that he would not Netanyahu's subordination she says. The problem is of all Israel's commitments that "Arafat believed that at Is the US finally putting to exchange land for peace some stage he had been pressure on Israel? "It's not to its desire for security is our policy". Mrs Albright not merely an attempt to West Bank and there are West Bank and there are told the FT yesterday. Yet throw sand in the Oslo three [withdrawal] phases. she reiterated that the invi-mechanism, the secretary of so he figured 30 per cent a

near what was ever in the

"it's going to be very diffithe West bank, Israel's final to look at it again." view, has been the size of estinians get an independent Mid-East policy has been lop-She acknowledges Mr the redeployment, and "this state. So far, the US has sided - too much friendship

do a lot of trade-offs". It is an open question

Bill Clinton have enough negotiating room, faced by a Congress in which Mr Netanyahu enjoys greater support than in the Israeli Knesset. As she says, "American foreign policy doesn't work if you don't have Congress as partner". "But there's a difference between partnership and trying to micromanage the policy.

On Iran and Iraq, she defends the policy of "dual containment". Europe and the Arab world would prefer engagement with Iran to US attempts to isolate the mullahs' regime, and by and large believe that Iraq has to be offered a real prospect of sanctions being lifted if it complies with UN weapons

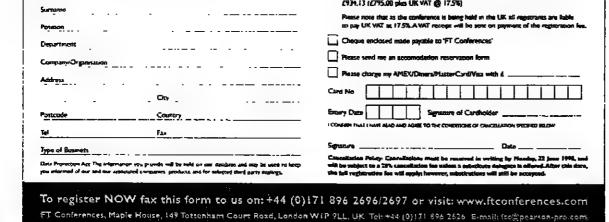
"If there is change in Iran," the secretary of state says, then "some of it has to or is containment" and that President Mohammed Khatami, the reformist president year, has sensed "that being contained is not in the best interests from his perspective of what should happen In Iran.

But the US has adopted "a different phraseology" in its approach to Iran, and "we are watching very carefully to see what is happening".

. Iraq is another matter. "We are not the defendants." she says, "Saddam is." The UN weapons team looking for Saddam Hussein's remaining chemical and biological weapons capacity "continues to be the eyes and ears of the world and the key to the box for Iraq to

get out of its container." February by UN secretary general Kofl Annan to let Unscom do its job "has worked so far," Mrs Albright reckons. But the US is keeping its armada in the Gulf

Some have argued that US tlers and religious funda- details of the US package. everything up into little should know whether that is



(D)

COMMENT & ANALYSIS

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Thursday May 7 1998

Agony sets in for Asia

Just when financial markets had apparently stabilised, disturbing reminders are emerging that the Asian crisis is far from over. Rioting has intensified in Indonesia. Unions are threatening strike action in South Korea. Thailand and the International Monetary Fund are discussing the need for reflation to counter a deeper than expected recession.

As the consequences of last year's financial collapse spread into the real economy, the crisis seems to have entered a new phase. There was always an expectation that 1996 would be exceptionally tough for Asian economies, but the pain is proving worse than many anticipated. The need to combat recession looks like becoming as urgent as the previous priority of restoring market confidence. This should give industrial country leaders food for thought at the forthcoming Birmingham summit.

There is no point in endorsing a cure that ends up killing the patient, and there is a real risk as stock markets showed yesterday - that a sharper than expected economic contraction might again undermine financial stability. Equally there is limited room for relaxation, at least on the monetary front, until the process of adjustment is complete. Finding the right balance is becoming harder as Asian economies

Simply cutting interest rates is not the answer, since this could institutions must watch to also jeopardise exchange rates. In any case, a shortage of credit is crippling Asia's private sector even more than high interest rates. Credit will only start to flow freely again when financial restructuring is complete and well-capitalised banks are willing to lend to sound customers.

Thailand is likely to receive initial attention in this debate under way.

because its continuing severe credit squeeze means that it has as yet received little reward for its determined - but still incomplete - efforts on banking reform.

The planned refinancing of government debt in the bond market may create more incentive for bank lending to the private sector. A more concerted effort to reschedule the overhang of private foreign debt might also help. Beyond that the most obvious room for manoguvre is on the fiscal side, using funds borrowed abroad to boost investment by

Indonesia and South Korea have even less room to relax monetary policy. Although Indonesia is now formally back on track with the International Monetary Fund and has won praise for its tough and transperent monetary controls, it is only just starting to restructure its banks, A disturbing sense of lethargy surrounds its negotiations on rescheduling private sector debt. Korea, meanwhile, still faces difficult decisions on bank ciosures, mergers and sales, and there has been little progress in the urgent task of restructuring large conglomerates. Premature ing of credit could undermine

In all three countries, real recovery can only come once the financial sector is healthy. But the IMF and other multilateral ensure the social pain is bearable. There is a case for further fiscal relaxation towards that end, but the world authorities should not be duped by recession into accepting prevarication on financial reform and recapitalisation. Delay now only means a longer and even deeper recession than the one now unfortunately

Euro rates

By the beginning of next year, tic product growing 3 per cent in there will no longer be 11 separate interest rates for the II participants in economic and monetary union. But the uncertainty over exactly when and where interest rate convergence will take place is now taxing Europe's

central bankers. Firstly, when? This week's Snavish interest rate cut has sparked talk that convergence may take place more quickly than expected. And there has been speculation that the Bundesbank's dissatisfaction about the presidency of the European Central Bank might lead it to raise rates in protest.

happen, as the Bundesbank well knows. The markets reacted with indifference to the ECB compromise. A rate rise now would accomplish nothing. Convergence

has died down. growing consensus in the mar-needs is lower interest rates. But kets that short-term interest convergence must take place. rates will converge at just under The only answer for Ireland -4 per cent by the beginning of and any other country in a marknext year. The available eco-edly different cyclical position nomic data support this view.

and surface

the fourth quarter of 1997. But so far, there are few price pressures. Inflation is 1.2 per cent, and nominal wage growth is around 2.8 per cent. Meanwhile, the unemployment rate languishes at over 11 per cent. Monetary policy needs to be somewhat loose at this stage in the recovery. But the exceptionally low German repo rate of 3.3 per cent would be too low for the euroland economy as a whole, especially as the

This means that sometime this year the Bundesbank should raise rates, if only by 50 basis points or so - even though the There is no need for this to relatively slow German recovery means that a rate rise may not be warranted on domestic grounds.

upswing gathers momentum.

For most European countries, this would not mean an undesirable change in monetary condiwould be best left for a month or tions. The striking exception is two, when the political wrangling Ireland. With economic growth of over 8 per cent, and asset mar-Secondly, where? There is a kets booming, the last thing it from the rest of Europe - is to Euroland output is growing at use fiscal policy to offset the a healthy rate, with gross domes- inappropriate monetary stance.

The new model Chrysler-Benz Peter Martin examines the business trends and cultural clashes behind

what would be the world's biggest manufacturing merger

Oh Lord, uson't you buy me a Mercedes Benz? My friends all drive Porsches, I must make amends. Worked hard all my lifeti So Lord, won't you buy me a

t would be nice to think that Robert Baton, Chrysler's chairman, was a Janis Joplin fan, intent on giving his shareholders at least a part of her dream. In fact, the impulses behind the merger talks between Chrysler and Daimler-Benz which makes Mercedes cars, are more hard-headed.

They boil down to three changes under way in global business: one specific to the auto industry, one arising directly from German circumstances and one relevant to big companies everywhere. Prodded by these trends, this particular merger is heavy with potential.

Overnight, it would make Daimler the only European car-maker with a strong position in the mass US car market, and put the merged group in contention with General Motors and Toyota for global leadership.
Of course, the chances of nego-

tistions falling are great - there are enormously delicate issues of corporate and national culture and control to resolve first. And even if the deal is done, the task of making such a giant merger work smoothly is franght with

Nonetheless, the trends that gave birth to the discussions are rresistible, and will mould the future of Chrysler, Daimler and other big carmakers.

The first of these trends is the reshaping of the car market, in ways that are apparent in the US but have yet to make a full impact elsewhere. It is this change that makes a merger between a luxury car manufacturer like Daimler and a manufacturer of worksday transportation like Chrysler conceivable.

Traditionally, the automotive industry has been divided into three broad segments: big trucks, light trucks and cars. In turn, the car segment itself has been divided into three: huxury cars, ordinary cars and low-volume this structure.

and increasingly luxurious pickune, have merged with cars to form a single category in America: this year, almost as many light trucks will be sold as pessenger cars. Ordinary cars can boast many of the attributes in quality, performance and comfort that were once the preserve of luxury cars. And speciality vehicles, such as sports cars, off-, road "sport utility vehicles" and the people-carrier "multi-purpose vehicles" have emerged from their irrelevant niches to become the industry's fastest-growing and most profitable products.

Of all US manufacturers. Chrysler has adapted to this new era best and fastest. It has particular strength in light trucks last year, it had 22 per cent of the US truck market compared with only 9 per cent of the car market. giving it a total market share of 15 per cent. Its Jeep subsidiary has a strong presence in the sport utility market. And its MPVs, such as the Chrysler Voyager, are leaders in that segment. All this has been made possible by a reorganisation of engineer-

ing and production staff into "platform teams", which has freed them from corporate bureaucracy and allowed them to produce imaginative designs much more quickly.

A previously dull image has been transformed by a string of giamorous sports cars, including ones that do not fit any established category.

By comparison, Daimler - like most non-American carmakers seems stuck in yesterday's market. Although it has launched some successful products into the new market segments, the main-stay of its product line is traditional luxury saloons. And much specialty vehicles like Jeeps or of its engineering effort is going sports cars. The past decade has into smaller cars, historically less seen a complete re-ordering of profitable than their larger

> Chrysler, not least how to manage the engineering process to get a wider variety of cars to market more quickly, while preserving a distinct and individual design flair for each model.

But from Daimler's point of view, product questions may well be secondary. The most striking aspect of the merger talks. viewed from the German angle, is that they are taking place at all. Traditionally, big German companies have manufactured their goods at home and exported to the rest of the world. Any substantial overseas

operations they have built un have usually been achieved through organic growth. Intellectual value-added, product design and corporate momentum have all been firmly based in Ger-

At a stroke. Daimler is abandoning this tradition, triggering the same sense of shock in the German business community as It did with its decision to list its shares in New York and comply with US accounting standards in 1993. It is considering a future in

OBSERVER

which US shareholders have at least as strong a voice as German. ones, and in which it must share creative hegemony with engineers from an entirely different tradition.

A host of practical questions arise from this process. If the new merged company is to be based in Germany, how will Chrysler's board members and

institutional shareholders deal with the legally enforced "codetermination" between managers and workers which is a feature of German supervisory boards? If it is to be set up elsewhere, how will the defection of Germany's most prominent corporate citizen affect the political campaign under way for this autumn's federal election?

When the merged board first ance between the two companies' business models? After all, on roughly similar revenues, Chrysler has twice the income, more than twice the number of rehicles sold and fewer than half the employees. And how will it reconcile Chrysler's determination to be solely an automotive company (it sold or spun-off the last of its defence and other ancillary businesses last year) with Daimler-Benz's central role in

Germany's aerospace industry? These questions may be too difficult to resolve now - which is why the merger may prove hard to complete. But they symbolise the issues with which all big German companies must cope as they strive to become truly

in a single phrase: coming to terms with America, Learning to live not just with US product markets, or even US capital, but with the Faustian consequences of both: the US approach to product design, engineering process and corporate performance The problem is not that these

These can best be summed up

are worse than German ones, merely that they are different. Successful American subsidiaries in Germany and flourishing German offshoots in the US prove that it is possible to combine the strengths of the two corporate cultures at an operational level. The challenge is now to combine

them at board level too. The third trend postpones and blurs this tricky adjustment: a move across all industries and in many different countries towards share-swaps rather than cash purchases. The deals proposed for UBS, Citigroup and (abortively) Glazo/SmithKline all take this shape, to choose just a few among mooted recent deals. This trol, since the shareholders on value.

cles caused by the merger. ut it also has a number of apparent advantages, which in the long run are likely to prove drawbacks. First, all-paper deals are a characteristic of a booming stock market since in other conditions shareholders will always prefer to receive cash, and companies will usually prefer to pay it rather than dilute what they perceive as undervalued equity.

both sides gain from any efficien-

This means that such deals have a higher-than-usual chance of proving disastrous, since they are predicated on a future viewed through inherently rosy specia-

Second, they allow both sides to blur the issue of who is taking over whom - which usually results in a prolonged period of corporate infighting as they war to decide the matter. Although genuine mergers of equals do occasionally occur, most such deals require the victory of one cornorate culture or the other.

painters auch as colour field

pioneer Mark Rothko and Jackson

Pollock, who preferred wiggly lines.

He is also said to own a piece by

Robert Rauschenberg, the Texan

known for incorporating everyday

Christies an inside track when the

objects like clocks in his work.

Pinault may, in turn, give

to international houses. The

presence of such an influential

figure will surely help Christies

make its mark in the French art

presumably knows a thing or two

market. And as the owner of

Château Latour, Pinault

Just the ticket

Miert. The pugnacious EU

Spare a thought for Karel Van

about fine wine.

This is particularly true when there are two different national cultures at work, as the early problems with the mergers of Carnaud MetalBox and Pharmacia & Upjohn demonstrate. Only once the issue of which culture is in control is settled does the transaction truly bear fruit. Paper-based mergers help delay

this essential if painful process. Third, the implications for shareholders are also blurred. Whatever financial theory says, mergers that take the form of the cost of a paper transaction remains less obvious than one paid for in cash. The discipline exerted on managers proposing a merger by the need for share holder approval is therefore less ened - so there is a higher probaapproach to mergers has one gen-bility that an all-paper uine advantage: it reduces the transaction will be driven by

> The trends that brought the Daimler and Chrysler to the stage of serious discussions - in the car market, in corporate Germany, and in the market for corporate control - are all powerful. The first two are lasting ones that make a merger tempting; and the third, though temporary, makes it financially affordable

But such underlying trends do not guarantee a successful transaction: there is much more talking and argument to come even if the two board themselves are edging towards agreement. And even if the deal comes off. bringing the two corporate cultures together will be a challenge dwarfing anything the pair have tackled in recent years.

Without a successful merger of minds, the transaction could rapidly sour. Or, as Janis Joblin put it in "One Night Stand": "Just because we loved tonight, please don't think it's gonna stay that

Nostra culpa

Rofi Annan, the United Nations are general requested protection for the informant, and said cool reception when he arrives in Rwanda today. The country's present rulers have little reason to love an organisation that stood idly by while more than 800,000 people were massacred four years ago. Many blame Mr Annan personally, since he was head of

UN peacekeeping at the time. When the genocide started, on April 6, 1994, a UN force of about 2,500 men was on the spot, as part of a peace agreement negotiated the previous year. When 10 Belgian soldiers were killed, along with the prime minister they were protecting, the UN decided to reduce this force to a mere 270, rather than reinforce it and order it to stop the killing.

That decision was taken not by Mr Annan but by the security council, which had no appetite for new African adventures after the debacle in Somalia the previous year. A more damaging charge concerns the reaction of Mr Annan's department to a warning faxed to it in January by the force commander, Gen Romeo Dallaire, who reported that a highly placed informant had been ordered to register all Tutst in Kigali: "He suspects it is for their extermination."

A STATE OF THE STA

he would raid a Hutu arms cache within 36 hours. He was told to take neither action, but to share his information with the Rwandan president and the US, French and Belgian embassies. Who exactly saw the fax, and whether it was reported to the security council, remains in dispute.

No one comes out of the story well, except Gen Dallaire himself. Mr Annan has made matters worse by forbidding him to testify at a Belgian parliamentary inquiry. But the heaviest blame lies on governments, notably those of the US and France, which had the power to act and did not, or not until much too late. Despite abundant early warning they failed to recognise the genocide as such, treating it as just another complex crisis in

an obscure African country. Rill Clinton apologised for this when he visited Rwanda in March, as Mr Annan will do today. But apologies serve little purpose unless there is a real will to take timely action when crisis looms alsowhere in future. The weak and indecisive world reaction to what is now happening in Kosovo suggests that few lessons have really been learnt.

Motown meets Lili Marlene

The combination of Daimler-Benz and Chrysler would certainly be one of the biggest rigs on the alobal industrial highway. But is there really room in the cab for Jürgen Schrempp, the tough teamster from Stuttgart?

Looking on the bright side, the transatiantic collision of comprate sultures may not be head-on. Before taking the wheel at Chrysle In 1992, Eaton ran General Motors' European operations, centred on Germany's Adem Opel. The man who bought his first car at the age of 11 - a 1933 Chevrolet that cost a princely \$10 - and went on to . dudy mechanical engineering should also understand Daimler's nuts-and-boits mentality.

Schrempp, meanwhile, is more to tune with Detroit-style shareholder value than most of his Teutonic

Eston, 58, has also shown himself to be a bit of a down-home diplomat. When he arrived from GM, he leap-frogged into the top job over the head of respected Chrysler man Bob Lutz; against all expectations, they went on to work together to get the company firing on all cylinders.

The snag is that Schrempp has never had much of a caring, sharing reputation. The lest neitro of beint only bear-lorder alongside the 53-year-old : Baden-Württemberger was former

Mercedies-Sung base Halmus Wemer. He ended up on the hard shoulder. It will be interesting to see if Eaton can do better.

Body language The top lob at the European Central Bank may be spoken for,

but there is another Frankfurt-based vacancy waiting to be filled. Someone has to look after Duisenberg, Trichet and the rest of the Europe's monetary moguls - so they are advertising for a minder who knows more

about security than securities.

It's going to take brains as well as brawn to clinch the job. Along with a wespons licence and knowledge of bomb detection and first aid, the successful candidate will be as comfortable chatting in English as in German. The perfect bodyguard will also have "a basic knowledge of French" - though there is four years to go before Trichet takes over from Duisenberg

in the announed-plated limo. There is no mention of salary but you can bet your life it will be paid in euros. After all the simmering iauds on show in Brussels last weekend, it's no surprise to learn that the start date is "as soon as

Gripen stuff

Generations of South Africans graw up with stirring tales of intropid white settlers battling against black warriors, perfictious Albion and the international communist

conspiracy. Now Nelson Mandels's government plans to set the record straight. Yesterday it appointed Nhiantia Ndebele, a 30-year-old historian, to write a new official version of South African history, camed up the African Nepone Congress archives.

But who is stumping up the cash to fund the three-year project? Step forward British Aerospace, which admits, when pressed, that its contribution is not unrelated to its efforts to sell the South Africans the Gripen fighter jet, made by Saab of Sweden, in which BAe recentiv took a 35 per cent stake.

You would have thought the ANC stamp of approval would also nelp BAe charm the anti-arms sales protestors who disrupt every the company is not optimistic. "Our huge contributions all over the world are not something people

Perhaps they could ask Ndebels to pop over and set the record

For art's sake

What can François Pinault's fellow ert collectors make of the French lycoon's decision to add a stake in Christies to his collection? One concern must be that his interest in the antique auction house will help him steel a march on other aesthetes when desirable works of ent come to market The Breton forester's son is

known to like modern American

competition commissioner discloses that he is not going to attend any World Cup soccei matches this summer. The involvement of Brussels in the controversy over ticket sales is to received a number of offers of tickets, including seats for the final, but "since I have to manage this

dessier, I will not go".

The sad news came as the lest 3,000 tickets went on sale esterday through the infamous World Cup hotiline, with six matches vying for the dublous honour of being the last game to sell out. Surely no one would begrudge Van Miert a seat in Toulouse for Cameroon's titenic clash against Austria?

pater.martin@fl.com Financial Limes

100 years ago

Rising in Sterra Leone Liverpool, 6th May. It is stated on good authority that the rising in Sierra Leone against the hut tax is now regarded as so serious as to demand the despatch of Imperial white troops. Up to the present, with Leone Artillery Force and some marines and bluelackets from Her Majesty's ship "Fox", the troops employed against the rebels have been either West Indians or African. The War Office has now, it is understood, been instructed to send out Imperial troops now in England, and the next couple of weeks will see the despatch to Sierra Leone of from 500 to 700 men und officient.

50 years ago

Rover Gas Turbine Birmingham, May 6. Preliminary details of a gas turbine car engine developed by the Rover Company were announced today, it develops about 100 brake h.p. and could be fitted to existing chassis and bodies. All that is required are different engine mountings. Mr. Maurice C. Wilks, chief engineer, who has been closely concerned with the development of jet engines, said: "Somewhat to our surprise the new engine went the first

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THURSDAY MAY 7 1998

THE LEX COLUMN

Buy me a Chrysler-Benz

Welding together Daimler-Benz and Chrysler/Daimler-Benz Chrysler will require skilled mechanics, but should produce a powerful machine. If the ignition fires, Daimler will storm to the number three slot in the US market, behind General Motors and Ford. With Chrysler's strength in light pick-ups and people carriers, Daimler will be well positioned in the fastest-growing segments of the auto market. And its engineering prowess, not to mention financial resources, should help rejuvenate Chrysler's flagging car range.

Since the overlaps are minimal - Chrysler's European presence is negligible cost-cutting is not the overriding aim. German unions are unlikely to object on behalf of Daimler's near 300,000 employees as they did with the last big industrial merger, Krupp-Thyssen. Merging distribution networks is also a non-starter: putting Mercs and Dodges in the same showroom will only erode the former's premium pricing.

Still, there are huge savings on offer. most of all from enhanced purchasing power; and the scope for platform-sharing for future models should also create sub-

On the basis of yesterday's market capltalisations. Daimler shareholders should and up with 65 per cent of the new entity effectively a takeover by the Germans, whatever the euphemisms used to describe the proposed deal. Hence the premium that is likely to be implicit in the exchange ratio of the two companies'

Paying a premium should not hurt too much since, for once, a European company is more highly rated than its US counterpart: Daimler trades on a 1998 multiple of 6.9 times enterprise value/earnings before interest, tax and deprecation compared to a lowly 4.1 times for Chrysler.

Of course there is no guarantee that this vehicle will make it out of the garage. Any deal will have to be structured to overcome hefty tax, regulatory and accounting issues. And depending on where the new group is domiciled, either Chrysler's shareholders (including the vocal Kirk Kerkorian) or Daimler's (including Deutsche Bank with 24 per cent) will have to be persuaded to accept shares in a foreign company - unless an



duced. Moreover, a merger of this size between two such different cultures presents enormous management risks. The notion that the two companies' headstrong chairmen will happily share power for any length of time certainly looks

Daimler will also have to consider the future of its other businesses, particularly since Chrysler has slimmed down to just cars. But this deal should make it easier for Daimler to relinquish control of its aerospace and defence interests, while parts of the Debis information division could be easily floated off.

Other carmakers, meanwhile, have little to gain from a merger that produces a bigger rival with lower costs but fails to remove any of the industry's massive

Shareholder value

Any continental European companies still wondering why they should embrace shareholder value need look no further than Daimler-Benz's talks with Chrysler. Daimler is well placed to emerge as leader in this combination only because Jürgan Schrempp has taken tough measures to advance shareholders' interests since he

took the helm. The result has been an astonishing recovery in the share price: back in 1995, Daimler was worth only 40 per cent more than Chrysler, now it is worth nearly double its prospective US partner. A strong share price is a powerful tool for advancunwieldy dual share structure is intro- ing corporate ambitions.

PolyGram/Philips

As EMI and Seagram perform a wary merger dance, Philips has piped up: "Do not forget PolyGram". That seems the most plausible explanation why the normally tacitum Dutch electronics group is indicating its 75 per cent stake in the

music group could be up for grabs.

The best way for Philips to maximise the value of its PolyGram shares would be to sell them to a trade buyer. But if Seagram bought EMI, the most obvious purchaser would be out of the picture. A combination of PolyGram with any of the other big music groups would have even greater industrial logic. The snag is that, with the possible exception of Bertelsmann, the resulting entity would be so dominant that competition authorities would cry foul. The same goes for EMI. This puts Seagram in a strong negotiating

As for Philips, the puzzle is not that it is considering divesting PolyGram but what would do with the cash. Unless it has a big acquisition up its sleeve, it would be drowning in cash. One option would be to buy back shares. Of course, if it cannot sell PolyGram at a premium, it could just give the stake to its shareholders.

Liberty Life/Standard

Donald Gordon, Liberty Life chairman is playing his favoured role of curmudseon. He reckons the market undervalues his shares, while placing a full value on those of the Standard Bank group. Moreover, he is none too enamoured of the whole bancassurance concept. No wonder merger talks were stillborn. But Mr Gordon's views do raise the question: if he is so sceptical about banks, what is he doing with a 42 per cent stake in one? It may have been a good investment, but what purpose justified such a large holding?

Given his scepticism about bank valuations, Mr Gordon is more likely to want to sell down his stake than seek a control position. But he will struggle to find a single buyer. Local investors would probebly be stymied on competition grounds, while foreigners are likely to be chary of putting R15bn (\$2.97bn) into South Africa. This leaves a share placing, a prospect which may cast a renewed shadow over the stock price.

Sinn Féin to recommend Yes vote in poll on Ulster deal

Party may allow candidates to enter new N Ireland assembly

By John Morray Brown in Belfasi

Sinn Fein, the IRA's political wing, has indicated it will back the Northern Ireland peace deal and abandon its historic opposition to taking seats in a "partitionist" government for

Mitchel McLaughlin, Sinn Féin chairman, yesterday confirmed that, at this weekend's special party conference, the leadership would recommend a Yes vote north and south of the border and seek backing to allow its candidates to enter the devolved Northern Ireland assembly.

The move came as Tony Blair, the UK prime minister, joined forces in Belfast with John Major, his Conservative predecessor, to rally support for the peace deal with a call for a Yes vote in the May 22 referendum. Reg Empey, the Ulster Unionist chairman, said the action indicated by Sinn Féin would mark a "seismic" shift in republican thinking and be tantamount to recognition of partition. It follows reports that the

Fein to enter what the IRA's constitution – known as the Green Book – has referred to as "a subservient

Mr McLaughlin would say only that the party was "still in the process of contacting our local structures, and a commitment we gave to them is that they would get it first before we would speak publicly on the precise details". But as Mr Blair and Mr Major

shared a question-and-answer session with Belfast schoolchildren, the Yes camp was dealt a blow by Lord Molyneaux, the former Ulster Unionist party leader. He told the House of Lords the April 10 peace accord was "a monstrous conveyor belt, which was designed and intended to deliver concessions to violent and criminal organisations".

The Church of Ireland, like the Presbyterian and Methodist churches, yesterday declined publicly to urge a Yes vote but urged members to follow their consciences. IRA's full army convention met at In a clear bid to reassure unionists the weekend and gave approval for on the key issue of arms, Mr Blair

joint members of the IRA and Sinn had earlier told the House of Commons "it is essential that organisations that want to benefit from the early release of prisoners are organisations that have given up violence - decommissioning is part of that".

David Trimble, the Ulster Unionist leader, said Sinn Féin had given assurances to the Irish governmen in the final hours of the multi-party negotiations that there would be total disarmament.

But Mr McLaughlin said Mr Trimble was engaging in "flights of fancy". However, he added: "If we have an agreement that works, then all guns will be taken out of circulation. I think all parties that want to see a genuine peace can subscribe to that. My party certainly does."

Any recommendation to support the multi-party agreement will require a simple majority to be approved. But Mr McLaughlin said any lift to the bar on taking seats in the assembly would need a twothirds majority of the special party

Eta blamed as fifth Spanish politician is killed within a year

A councillor in the northern Spanish city of Pampions was shot dead in his car yesterday, apparently the victim of Basque separatists and the fifth local official they have killed in in Spain since last summer.

Police said the close-range shooting of Tomas Caballero, 63, bore the hallmarks of Eta, the Basque separatist group responsible for the previous killings. They suspected the murder was carried out by gunmen from San Sebestián, where six Eta suspects have been arrested since

last Saturday. Documents seized in the police operation in San Sebastián were reported to include plans for an attack against King Juan Carlos during an inauguration ceremony for a new aquarium in the Basque resort

An earlier plot to assessinate the king on holiday in Majorca was intercepted in 1995.

Yesterday's killing was seen as a

response to a series of arrests of Eta members in the Basque region and Seville, where another councillor and his wife were shot dead in Jan-

Pamplons is the capital of Navarre, which radical nationalists want to incorporate into a Basque

The victim, who had clashed with Eta's political wing, Herri Batasuna, belonged to the Navarre People's Union, the region's conservative party, which is allied to Spain's ruling Popular Party.

Eta has recently concentrated its attacks on PP counciliors as a way of achieving high political and public impact. The PP's elected representatives in the Basque region now routinely have bodyguards, but Mr Caballero did not.

The killing will further reinforce the PP government's resolve to refuse to enter negotiations with Eta or Herri Batasuna.

Eta said in a recent statement it was ready to learn from the peace

agreement in Northern Ireland, but gave no indication of any plan to halt its attacks. The Basque region's president, José Antonio Ardanza, made an unsuccessful attempt in March to build an inter-party consensus for a plan to offer open-er talks with Herri Batasuna if Eta called an indefinite cessefire.

Herri Batasuna said yesterday it was "shocked" by the latest murder but added that it should be seen in the context of a political conflict.

The party, under new leadership since 23 top figures were jailed in December, hit out at what it described as "a sort of police bings" and called on Jaime Mayor Oreja, interior minister, to reflect on current government policy. Mr Mayor Oreja was one of five ministers to travel to Pampions after the killing.

Hundreds of townspeople held a spontaneous silent protest outside Pamplona's city hall. The main trade unions called for a half-hour stop page today to express popular revulsion against the murder.

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May 1998



Santander Investment

has acquired

the core equity business of

PEREGRINE

The undersigned acted as financial advisor to

Santander Investment.

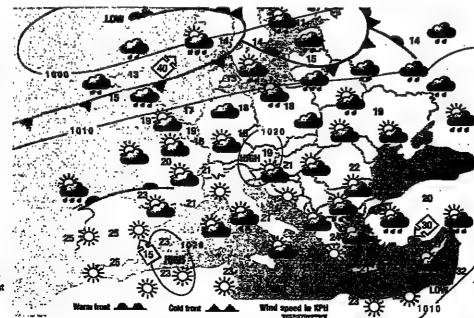
CORPORATE ADVISORY

FT WEATHER GUIDE

Europe today north-east Europe will be cloudy Scandinavia will be cold with rain and sleet. The Low Countries and northern Germany will start cloudy with drizzle, but it will brighten up. and Switzerland will be warm with

hazy sunshine. Most of the strong sunshine, but there may be showers in northern Spain, central italy, northern Greece and Cyprus. Five-day forecast Warm air will push north acro

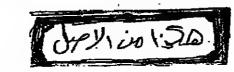
central and western Europe. bringing hot conditions to many places. However, the high thurdery showers over the weekend and early next week Scandinavia and north-east Europe will remain unsettled, but south-east Europe will be sunny.

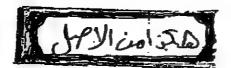


TODAY'S TEMPERATURES We can't change the weather. But we can always take you where you want to go.

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FINANCIAL TIMES

COMPANIES & MARKETS

THURSDAY MAY 7 1998



INSIDE

Norwegian banks ready for change The dismissal by Den norske Bank, Norway's largest commercial lender, of Finn Hvistendahl, its chief executive, was viewed by analysts as heralding a shake-up of Norway's splintered financial services industry. Frederik Myren, banking analyst at HSBC James Capel, says substantial restructuring in the sector is inevitable. Page 18

Internet's new sense of community GeoCities, one of the biggest internet community groups with 1.7m active members and 10m individual visitors every month, is divided, by age and interests, into 60 distinct communities. This not only creates more easily-identified segments for advertisers to target, but also provides a platform for electronic commerce. Page 22

Indian mortgage lender's profits rise Housing Development Finance Corporation, India's biggest mortgage lender, announced a 12 per cent rise in pre-tax profits to Rs3.5bn (\$88m) for the year to March 31, giving further proof that India has escaped the problems in property lending that trouble south-east Asia. Page 19

Chinese provinces to set grain price China plans to shift the responsibility for setting the state purchase price for grain from central to provincial authorities. The move signals an importent step towards reforming a labyrinthine grainmarketing system plagued by waste, corruption and inefficiency. Page 30

Demand for rubber increases 6% Global demand for elastomers - both natural and synthetic rubber - grew by 6 per cent in 1997, according to the International Rubber Study Group. The IRSG said the rise was a record for the third successive year but production levels stag-nated and world stocks fell. Page 30

Birth of the euro



NEW FT STATISTICS : The FT's new statistical service covering data relating to European Monetary Union is today on page 27. The service covers equities, currencies,

money and boards.

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Travelers chief to lead Citigroup

Weill's right-hand man to become president of giant new bank after \$160bn merger

By Tracy Corrigan and John Anthers in New York

James Dimon, chief operating officer of Travelers, is to come president at Citigroup, the giant bank to be created this year by the US company's \$160bn merger with Citicorp. The appointment of Mr Dimon, who has been described as the right-hand man of Sanford Weill, the company's chief executive, appeared to strengthen initial mpressions that the merged any would be dominated

corporation. Mr Dimon will at the helm," said one analyst. Other executives will report to John Reed of Citicorp and

Mr Weill, who will run the company as co-chairmen and controversial power-sharing bined company's attempts to agreement.
The new business will be divided into three groups: global consumer business,

dobal corporate and investor businesses and asset manage ment business, run by six executives. The diverse nature utives were clear losses.

have responsibility for finan-rial functions. In the most closely watched appointments Bill Campbell, of Citibank, and Robert Lipp, of Travelers, were named as cochief enecutives of the global consumer business, which is chief executive officers in a seen as critical to the com-

generate increased revenues

through cross-selling. Mr Campbell, a former chief executive of Philip Morris USA, the tobacco and consumer goods company, was last year given the job of coordinating all Citicorp's global

can operations. Among those reporting to him will be several Citibank lines of business, including its credit card business - the world's largest mortgage services and its Citibanking retail network.

Mr Campbell will focus on

the changes in strategy needed to sell the new company's large product range through Citibank's extensive distribution network outside the US. In a letter to staff, Mr Reed and Mr Weill said: "The management processes of Citigroup will evolve over time with the

result of trying to bring together representatives of the diverse businesses may be

The new senior management of Citigroup - about 75 people - will meet quarterly for operating reviews, a practice based on Citicorp's senior manage-

ment process.

Derek Sword, banking analyst at Keefe. Bruyette & Woods, said this arrangement showed the complexity of the management task, "When you've got two companies of need co-chairmen and co-managers coming together to run them. It's quite impossible to

to provide biggest Australian windfall

AMP set

AMP, Australia's largest insurance and fund manager, expects a market capitalisation of A\$13bn-A\$16bn (\$8bn-\$10bn) when it lists on the Australian and New Zealand stock exchanges on June 15, according to its prospectus issued yesterday. The estimated price range of A\$12.50 to A\$16 per share will rank the group among Australia's top 10 listed

The group, known before its demutualisation on January 1 as Australian Mutual Provident Society, bas about A\$150bn in funds under man-

The average policy holder is likely to receive 600-650 free shares worth nearly A\$9,000, according to the middle range of AMP's estimated share price, making it Australia's largest share windfall for investors.

The estimated price range has risen from the \$8.81-\$10.37 given last September, reflecting this year's big rise in financial company share

Individuals hold about 90 per cent of AMP's 1.04bn shares. The rest are held by AMPrelated trusts on behalf of wholesale clients. Of the group's shareholders, 1.22m are in Australia, 282,000 in New Zealand, 178,000 in the UK and 10,000 elsewhere.

Analysts believe AMP will list at the high end of its share price range because of strong demand from fund managers who have complained the limited supply of AMP shares will leave them underweight in the stock. To help limit the scramble, the Australian Stock Exchange has agreed to stagger the inclusion of AMP index, the market's main gauge. At 100 per cent weighting. AMP is expected to account for nearly 4 per cent of the index.

George Trumbull, managing director, said AMP had had "significant" discussions with the Australian Securities Commission for a change in rules that prohibit AMP from trading in its own shares. For the time being, AMP could buy its own shares for its statutory accounts, or certain funds linked to compulsory superan-

nuation programmes. Mr Trumbull forecast AMP would make a net profit. before extraordinary losses, of A\$774m.A\$977m in 1998 - un from A\$888m in 1997 and A\$695m in 1996. However, the group expects an extraordinary loss of A\$1.67bn in the current year, because of A\$1.4bn costs associated with an accounting switch and A\$253m in restructuring, Earnings per share before the loss are likely to range from 74 cents to 94 cents.

Share priority plan, Page 19

consumer businesses to build objective of using the best of by Travelers. of the business meant no exec-However, officials stressed brand identity. both Travelers Group and Citi-However, Mr Lipp will have direct responsibility for the the role would be more tightly corp. We will expose the Travelers Group and Citicorp man-"Both companies have tended to have a fairly flat defined in the new company than is traditional in a US new company's North Ameristructure, with a strong leader agement teams to the best of put one person in charge." **US** banks 万人士司德 铁鋼 E 1864 579 본 백급기

may move business from Liffe

By Edward Lucy

Sanior bankers at Salomon Brothers and Chase Manhattan, the US investment banks. yesterday said they were "seriously considering" moving large chunks of their derivetives business from the London International Financial Futures and Options Exchange to the Deutsche Terminborse, Liffe's main competitor.

The bankers - both of whom head derivatives operations said they wanted to trade short-term interest rate futures and options on an electronic system rather than on Liffe's trading floor. Plans to allow traders to deal in contracts electronically during the day were announced earlier this year but will not be introduced until late 1998

Liffe dominates dealing in European short term interesi rate contracts - 98 per cent of German three-month contracts are trading in London, for example. But Liffe has been hard hit by competition from the DTB this year, Since January the London exchange has lost its majority market share. in the 10-year German govern-

ment bond future to Frankfurt. "We believe open outcry is too expensive in comparison to electronic trading," said Simon Bowden at Salomon Brothers in London. "This is why we moved our 10-year bond future business to the DTB last year." A spokesman at Liffe said the exchange was planning to make serious reforms.

"We are obviously concerned when two members say they are considering transferring their business to a rival exchange," he said. However, both Salomon

Brothers and Chase Manhattan, which are among the five most prolific traders of short-term interest rate contracts at Liffe, say the exchange should speed up its plans to introduce daytime electronic trading.

E 1958- E 1786 a 17750 o 4290 Mid400 TOPIX580 TOPIX100 Large70 Shares in Tokyo fell to their lowest levels since January as traders caught up with domestic news and developments in south-east Asia after their

lour-day weekend. The Nikkel 225 Average ended 2.5 per cent lower, World stocks, Page 40; Editorial Comment, Page 15.

Renault and Fiat units set to merge coach and bus activities

Move will create powerful new force in fragmented European market

France.

By David Owen in Paris and

Renault VI and Iveco, the truck and bus units of France's Renault and Fiat of Italy respectively, are to merge their coach and bus activities, creating a powerful new force in the fragmented European market.

The 50-50 venture should produce a company with annual sales of more than FFr6bn (\$980mn) and 6,000

employees producing 7,500 ruses and coaches of all sizes, including minibuses and chassis. It will be second only to Mercedes-Benz' Evobus subsidiary in Europe, with a market share approaching 25 per cent. Evobus has nearly a third of the market. The move is part of continudemands of the municipalities that are Europe's main bus Traditionally they have tended to place orders with national suppliers with which they have had long relation-

ing consolidation in the bus

and coach industry, despite

the market fragmentation

caused by the widely varying

ships. But cost pressures are increasingly leading to open tenders, giving larger pan-European operators better The new company has yet to he given a name. It will be run independently from the parent groups. The chairman and chief operating officer are to

come from Italy, and the chief executive from France.

Both Renault VI and Iveco have remodelled their product ranges in the past two years. Renault VI has also restructured its manufacturing facilities, investing about FFr250m at its Annonay plant near Saint-Etienne in central

The French group would also bring to the joint company its research and development facilities at Vénissleux and Saint-Priest; its Heuliez bus subsidiary; and its majority interest in the Karosa company in the Czech Republic. Iveco's contributions include its plant and R&D facilities at

Valle Ufita and Turin, together with its coach-building Oriandi subsidiary and its majority A decision on whether its holding in Altra of Spain. The headquarters will be in Italy or companies said that by com-

they expected to achieve substantial cost reductions in the development of future joint products, as well as important economies of scale. There would be no effect on staff numbers or employment The agreement, under dis-

cussion for two years, comes as the French company appears well on its way to recovery after accumulated losses of more than FFr1bn in the past two years. The announcement came on

a day on which Renault shares, like those of other carmakers, rose sharply in the wake of the disclosure that Daimler-Benz and Chrysler are engaged in merger discussions. JP Morgan and UBS advised

Belgian bank steps up efforts to resist Fortis link

By Neil Bockby in Bracesis

The management of Générale de Banque, Belgium's biggest bank, is stepping up efforts to find a "white knight" bidder as an alternative to the proposed merger with Fortis, the Belgo-Dutch financial services group. The six-man management committee has intensified discussions with potential partners, thought to include ABN-Amro of the Netherlands,

32 France's Crédit Agricole and

Société Générale, and Germany's Deutsche Bank The move follows Monday's meeting of Générale's full board, including the manage-

ment committee, which was deeply split over the Fortis plan - in spite of the fact it would create a new Benelux banking force that would be one of Europe's top 10 banks. Nine directors, representing the bank's main shareholders - chiefly the holding company

Société Générale de Belgique -

backed the plan. But eight, sions offered by the group. have received strong messages two independent directors, opposed it on the grounds that it would threaten the bank's "operating stability and autonomy". Rieven other independent directors demanded more information.

Management, headed by Ferdinand Chaffart, chief executive, does not believe the Fortis proposal is in the best interest of the bank's staff or down if a Fortis deal went tion plan that would include shareholders, despite conces-

ing for Générale, and offering Mr Chaffart a co-chief executive role in the enlarged group with Herman Verwilst, head of Fortis' main banking business, COER ASLK.

But Générale's managers believe their persistent and forthright opposition means they would have to stand ahead. They are understood to SGB's parent, France's Suez

including the management and These include guaranteeing a of support within the bank, continued stock exchange list- and Mr Chaffart was last month given a new three-year mandate, and a warm ovation, at the bank's AGM.

The management's defiant attitude outs it in conflict with Société Générale de Belgique, which has made clear its intention to cede its 30 per cent stake to Fortis. The move is part of a broader rationalisa-

ing its stake in SGB from 64 to 100 per cent. Belgium's Banking and

Finance Commission, which must approve projects involvgian banks, was presented with the Générale board's opinion on Monday. It has said the bank's independent directors should be given more time to get the information they need from Fortis to make a



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Philips hints at sale of PolyGram stake

Shares in PolyGram, the world's largest music company, jumped 12.4 per cent Dutch electronics group. said it was "evaluating vari-

per cent of PolyGram, ment sector. refused to elaborate beyond

resolved, it added.

Since the bid approach last month to UK-based EMI believed to have come from yesterday as Philips, the the North American Seagram group, which owns Universal Music and Univerous strategic options with sal Pictures - analysts have been expecting further con-Philips, which controls 75 solidation in the entertain-

Jeff Meys, of ABN Amro in saying it was responding to London, said the sale of inquiries prompted by recent PolyGram to an industry speculation. It had no time- buyer was the most likely

need a long horizon."

Philips has set itself high performance standards and numerous divested operations in the year and a half that Cor Boonstra has been at the helm. However, he wrote in its latest annual report: "We have a strong something like Philips the uneven timing of its belief in the future of Poly-Gram because of the grow-

By Sordon Cramb is Amsterdam scale for the matter to be outcome. "Given Philips' tar- tual property rights and conenhance Philips' consumer electronics businesses

Anita Farrell, of Merrill Lynch in London, said buying out the rest of PolyGram was a more likely option than a sale. This could allow a change in its name to Records, thus extending the Philips brand which Mr ing importance of intellec- Boonstra is anxious to build. provisions for bad debts

gets for return on capital, it tent in the world market, which in recent years has is hard to justify the reten- PolyGram's content also also built a presence in film tion of PolyGram. You would offers opportunities to production and distribution, last month reported a collapse in first-quarter net profits from FI 122m a year earlier to just Fl 15m (\$7.5m). Alain Levy, PolyGram

chief executive, said then that a recovery was likely in the second half, because of record and film releases. The company also had to make

At ABN Amro, Mr Meys identified Bertelsmann o Germany as a potential bidder, along with Seagram. But PolyGram, with a 17 per cent global share of sales of recorded music, could not be merged with EMI, on competition grounds. He ruled out Warner and Sony for the Sime SMOD

PolyGram shares closed Fl 10.80 higher in Amsterdam, at F198. Shares in Philips added Fl 4.20 to Fl 193.60.

Kirch talk of financial

Kirch, the German media group, yesterday dismissed brink of a financial crisis because of severe liquidity problems.

gleaned from an investiga-

going to soften. Jan by Kirch. The report comes at a particularly sensitive time for Kirch, as an investigation by the European Commission's competition authorities into a proposed German digital pay-TV joint venture with CLT-Ufa, the Luxembourgbased media group, reaches

merger of digital pay-TV operations with the rival Liberty Life shares fell CLT-Ufa, in which the media group Bertelsmann holds a 40 per cent stake, was in

ing with the company.

he [the company founder and owner. Leo Kirch) is like a stamp collector. He's never prepared to give anything up, and that makes me wary," said one executive from a bank which has done considerable business with the company. Another banker who has

unclear what happens after Approvai from Brusseis for the plan to merge DF-1 into Premiere, a pay-TV channel in which both CLT-Ufa and Kirch are

pean banks". The thrust of BBV's strategy is to invest

dismisses crisis

Brussels, which has been sceptical about the proposed venture and has demanded modifications, is set to rule on the deal in early June.

Rumours of financial probems at Kirch, which is privately held, have circulated for more than a year follow ing the unsuccessful launch of DF-1, the digital pay-TV

to popular US films and television programmes.

The decision to pursue a

part prompted by Kirch's unstable financial situation after a series of loan requests were turned down. Some of the German banks who have lent money to the Kirch group in the past have become nervous about deal-

"The trouble with doing business with Kirch is that

shareholders, is seen as critical for the future of

Under the terms of the merger agreement, CLT-Ufa will share the estimated DM1bu (\$561m) start-up

reports that it was on the

The company said a frontpage report in yesterday's Süddeutsche Zeitung that banks had turned down requests for loans was based inaccurate and out-of-date information tion into alleged tax evasion

its final stage.

company, and heavy spend ing on the broadcast rights

had dealings with Kirch expressed concern that the company's unclear leader ship and ownership structure, which is tightly organised around Mr Kirch himself, was worrying, as "he is now over 70 and it's

Norwegian banks brace themselves for change

A shake-out is expected in the country's financial services sector, writes Greg McIvor

he blast of consolidation ate Hafslund-Nycomed in

that has swept Scandina- 1996 and was then the drivvian banking during the ing force behind Nycomed's past 18 months has barely merger with Amersham last ruffled the feathers of Nor- summe way's lenders. While Swed-DnB's board said the bank ish. Finnish and Danish was "entering a new phase banks have indulged in franwhere the greatest chaltic deal-making, their Norlenges will be structural wegian counterparts have changes and the internationwatched quietly from the alisation of the financial industry". Mr Aaser's cresidelines.

This may be about to change. The dismissal by candidate to tackle these Den norske Bank, Norway's largest commercial lender, of its chief executive late on Tuesday was viewed by many analysts yesterday as heralding a much-needed shake-out of Norway's splintered financial services

industry. Certainly, DnB's board has little doubt about the need to act. The desire for a more aggressive approach to structural change was the board's official reason for its unceremonious dismissal of Finn Hvistendahl, chief exec-

In replacing him with Svein Aaser, deputy chief executive of Nycomed Amersham, the Anglo-Norwegian pharmaceuticals group, DnB is bringing in an executive with an impressive record in mergers and acquisitions. Mr Aaser spearheaded the demerger of the energy and

dentials made him the best demands. Mr Hvistendahl, who is credited for returning DnB to profitability after a deep

loan-loss crisis in the early 1990s, might feel a little aggrieved. He had hardly been idle in seeking to bolster DnB's market leader status, leading the NKr3bn (\$408m) takeover of Vital. Norway's second largest insurer, in 1996. Last year he signalled an

interest in establishing links with MeritaNordbanken, the newly merged Swedish-Finnish bank, while an agreed takeover of BNbank, the Norwegian mortgage lender, was controversially blocked by the government - DnB's largest shareholder - on competition grounds.

One analyst suggested yesterday that DnB's board felt reflected in strong rises Mr Hvistendahl "was not being opportunistic enough". pharmaceuticals conglomer- This perception may have

INVESTISSEMENTS ATLANTIQUES SICAV

NOTICE OF THE ANNUAL GENERAL

MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of INVESTISSEMENTS ATLANTIQUES SICAV will be held at Barque Generale du Locambourg S.A. in Luvembourg, 50, Avenue J.F. Kennedy, on 16 May 1998 at 2 00 p.m. for the purposé of considering and voting upon the following matters:

AGENDA

Presentation of the management report of the Directors and the report of the Auditor.
 To approve the statement of net assets and the statement of operations for the year ended 31 December 1997.
 To directure the Directors with respect of their performance of duties during the year ended 31 December 1997.
 To effect the Directors and the Auditor to some unbillithe next annual general meeting of shareholders.
 Any other business.

The shareholders are advised that no quorum for the statutory general meeting is required and that decisions wall be taken at the majority of the shares present or represented at the meeting.

In order to take part at the statutory meeting of 15 May 1958, the owners of board shares will have to deposit their shares five clear days before the incoming at the offices of Bangua Generale du Licembourg S.A., Licembourg

TO THE HOLDERS OF WARRANTS

to subscribe for shares of Common Stock of

SATORI ELECTRIC CO., LTD.

(the "Company")

issued in conjunction with

U.S.\$60,000,000

3 PER CENT. GUARANTEED BONDS DUE 2000

Notice of Revision of Subscription Price

NOTICE IS HEREBY GIVEN in connection with the Warrants as

(1) (i) the average of the closing prices per share of common stock of the Company (the "Share") on the Tokyo Stock Exchange, for the five consecutive trading days up to and including 24th April, 1998, multiplied by 1.025 and rounded upward to the nearest Japanese yen, was Yen 1.542, and therefore was less than the subscription

price at which Shares are issuable upon exercise of the Warrants (the "Subscription Price") in effect on 24th April, 1998 (i.e., Yen 3,405.4) by not less than one Japanese yen and (ii) 80 per cent. of

the Subscription Price in effect on 24th April, 1998 is Yen 2,724.32; and

(2) In accordance with Condition 2.1 of the Warrants, the Subscription Price, currently Yen 3,405.4 per Share, will be

revised downward to Yen 2,725 per Share (the higher of (1) (i) and

(T) (ii) above, rounded upward to the namest one Japanese yen). Such revision of the Subscription Price shall become effective on

NOTICE OF EARLY REDEMPTION

International Bank for Reconstruction

and Development

(the Bank)

Italian Lire 200.000,000,000 7.45 per cent. Callable Notes due May 20, 2002

(the "Nutes")

NOTICE IS HEREBY GIVEN that, all of the outstanding Notes will be redeemed by the Bank on 20 May, 1998 (the "Optional Redeemption Date"), pursuant to Condition (c) of the Terms and Conditions of the Notes and Condition II of the Pricing Supplement. The Notes will be redeemed at their principal amount outstanding together with accruel interest to the Optional Redeemption Date. Interest shall cease to accrue on and from the Optional Redeemption Date.

Payment of principal and interest will be made against presentation and surreaster of, respectively, the Notes and interest compons appertaining to the Notes at the specified officer of Morgan Guaranty Trust Company of New York acting through its London Office or Banque Paraless Lixembourg.

INTERNATIONAL BANK FOR RECONSTRUCTION

By: Morgan Guaranty Treat Company of New York as Global Agent

on behalf of Satori Electric Co., Ltd.

been reinforced by a revival this week of merger talks between Christiania, DnB's arch-rival, and Storebrand. the country's biggest

"It is evident that the Norweglans have been left behind in terms of consolidation," says Frederik Myren, banking analyst at HSBC James Capel in Stockholm. Looking ahead, he predicts substantial restructuring is inevitable.

Such sentiment was among Norwegian banking stocks yesterday. DnB shares led the way, surging

Norwegian government, which holds more than 50 per cent of both DnB and Christiania, has hitherto been opposed to either institution participating in any cross-border deal which

NKr2.70 to NKr41.80 - a gain

D ut one large obstacle

Blooms in the face of rationalisation. The

of almost 7 per cent.

would see them removed from Norwegian control. Furthermore, the state has acted as a brake on domestic consolidation by opposing

corridors of power.

"We have to be open to the global trends and internationalisation taking place in financial services." Mr Hopland says. "We have seen a floodwave of structural change in Europe and

The big question

whether this attitude is

Honland, managing director of the government's bank

investment fund, hints that

the nationalistic approach

may be giving way to

greater pragmatism in the

the United States. I don't see why Norway should be an

Liberty and Stanbic call off merger talks

Liberty Life and Standard nies - which have compli- against the company's own Bank Investment Corp (Stan-cated cross-shareholdings - valuation estimates of talks on a merger which the end of April to simplify

about R90bn (\$10.7bn). The two groups said the talks had foundered on disagreement over valuations. They said: "As a consequence of significant dispar- agreement over valuations. ity in the views of the par- Donald Gordon, chairman of

with mutual regret, to termi- value, was "fully valued". nate the discussions." In March, the two compa- R1.60 to R163.40 yesterday,

bic) agreed yesterday to end said they hoped to agree by would have created South their structures and bring Africa's largest financial ser- together banking, life assurvices group, with assets of ance and fund management operations under the control of a single holding company. However, last weekend

they admitted the proposal had become snagged on dis-

R319-R352. Shares in Stanbio dropped 90 cents to R30. Mr Gordon also expressed scepticism about the viability of the bancassurance concept which a Liberty subsidiary, Charter Life, had pursued with only modest

success for 15 years. Roy Anderson, chief executive, said Liberty Life

would return to simplifying ering a deal with Stanbic.

ties and their advisers as to Liberty Life, said yesterday its structure before reconsidthe relative values of the he believed Liberty to be Liberty Life group and Stan- undervalued, while Stanbic bic, it has been resolved, on around three times book

OM in futures contract

OM. Sweden's derivatives the 10-year Sweden government bond following the decision by the Swedish Bro-

to support the listing. The move follows weeks of speculation about whether to list the contract on the Deutsche Terminbörse, Germany's leading exchange. The contract will now almost certainly be listed exclusively in Stockholm. OM, the sixth largest derivatives exchange in

opted for it because of its and Options Exchange. OM impressive screen-based believes demand for derivatrading system and the exis-London.

The exchange, however, would continue to be open to kers' Association yesterday co-operation or links with other exchanges, including the DTB, it said. Plans to launch a 10-year bond future later this year are linked to Sweden's decision to opt out of the first wave of European

exchange, is to launch a tence of OM screens in other cies other than the euro will futures contract based on trading centres, including rise sharply.

monetary union.

will be the second largest programme. exchange in Europe outside The 10-ye Emu, after the London Inter-

tives denominated in curren-The exchange also plans to list futures on other Swedish

government bond maturities including the five-year bond. The Swedish government, which became one of the first European sovereigns to issue a euro-denominated bond earlier this year, has pledged to maintain a liquid and transparent yield curve From next January. OM in its bond issuance

The 10-year bond future will be launched in Septem-

Europe, said brokers had national Financial Putures ber. BBV seeks 10% of Italian bank

By Tom Burner in Madrid

Banca Nazionale del Lavoro may allow Banco Bilbao Vizcaya, the biggest Spanish bank by market capitalisation, an early opportunity to based on its large franchise In Latin America.

BBV officials said yester-day Italy was a "natural" market for expansion in asset base in Europe complestrategic objective to create Argentina. Bollvia. Colom- ing with DAL the Rome- capital to reward shareholdpartnerships adapted to bia. Mexico and Venezuela European monetary union Italy's fifth largest bank in

which is seeking a 10 per

cent stake, is the sole non-The privatisation of Italy's bid for the government-held

tion of \$32.6bm at the end of sition drive that has last year, BBV claims to be the third biggest bank in the \$3.5bn in Latin America build a European alliance single currency euro zone, since 1995. after the Netherlands' ING group and Deutsche Bank of of Banco Santander, its chief Germany. It has increasingly voiced its interest in a firm Europe and BNL fitted its menting its networks in

BBV views an investment Thirty per cent of BNL, in BNL, which would be worth between \$832m and terms of deposits, is to be \$1bn, as a quick entry into sold in an institutional Italian banking at a key Latin American franchise placement next month. BBV, moment in the sector's represented "a substantial nal value of its shares from

The move is its first future agreement with Euro-Italian institution to have attempt to secure a significant beachhead in Europe and would open a second With a market capitalisa- front on an ambitious acquiinvolved investments of Latin American expansion

rival. Santander last year per cent to 7 per cent.

interchange value for any Pla750 to Pta250.

in European institutions that could in turn become financial partners in its Last week BBV raised its Latin American profile with

BBV's strategy tracks that an agreement to pay \$450m for 55 per cent of Banco Excel Economico, one of Braraised its holding in Istituto zil's largest financial groups. San Paolo di Torino, Haly's • Banco Santander yesterlargest bank which is merg-day pegged back its equity based banking group, from 3 ers through a reduction in the nominal value of its In February, Emilio shares from Pta250 to Pta230. Ybarra, BBV chairman, told Last year Santander impleshareholders the group's mented a three-for-one stock split that reduced the nomi-

NEWS DIGEST

STEEL

Krupp upbeat on full year after strong first quarter

Krupp, the German steel and engineering group that is merging with Thyssen, expects a sharp rise in profits this year after a marked increase in the first quarter. Gerhard Cromme, The profits increase for the year would match the 19 per

cant rise in turnover in the first three months, he said. This increase, which brought first-quarter turnover to DM6.4bn (\$3.6bn), should be maintained throughout the year. The currant fiscal year will be only the nine months to end-September, since the merged concern will have an October-Septem ber operating period.

Order inflow in the first quarter rose 11 per cent to

DM7,1bn. The comparative figures exclude Krupp's flat-rolled steel activities, which were transferred to Thyssen Krupp Stahl a year ago. Last year, Krupp lifted net income by 111 per cent to DM437m.

Mr Cromme said the marger, the terms of which are still being negotiated, represented a "unique opportunity" for both companies. "Together, they will be in a stronger position to face the challenges of the next century. The merger will increase the value of the company, which will benefit not only the shareholders but also the workforces."

He confirmed a previous statement by Heinz Kriwet, head of Thyssen's supervisory board, that Thyssen's share of the assets of the merged group - due to start operations in March 1999 but to be back-dated to this October - would be between 65 and 68 per cent. Andrew Fisher, Frankfurt

FRANCE

Groups unwind cross holdings

Suez Lyonnaise des Eaux, the French utilities group, and Saint-Gobain, the glassmaker, yesterday announced they had

agreed to unwind their cross shareholdings. Under the terms of the accord, Suez Lyonnalse is to purchase Saint-Gobain's 4.2m Suez Lyonnaise shares for FFr1,010 each, ex-dividend, with a view to cancelling them. Saint-Gobain will buy back 2.3m of its own shares from Suez Lyonnaise at FFr981, ex-dividend. The balance of the utilities group's stake in the glassmaker - a further 2.3m shares - are to be reclassified by the end of this year.

In addition, Suez Lyonnaise is to cancel a further 2m treasury shares, bringing the total to 6.2m shares or 5 per cent of its capital. The move continues a vogue for share buy-backs among large French companies. David Owen, Paris Asahi Glass of Japan has agreed to buy the European sheet and sutoglass operations of PPG Industries for an esti-mated Y30bn (\$228m), according to the Nihon Keizai Shimbun. The acquisition will double the Japanese company's share of the EU market for these products to about 25 per

cent; bringing it closer to top-ranked Saint Gobain of France and UK-based Plikington. PPG has annual sales of \$450m in Europe and employs 2,750 locally. Glaverbel, the company's Belgian subsidiary, will absorb all of PPG's European assets, including factories in France and Italy and distribution centres. Glaverbei already operates plants in Belgium, the Netherlands, the Czach Republic and Russie. Asahi Glass expects demand in Europe to grow steadily. AP-DJ, Tokyo

PORTUGAL

BPI more than doubles

e World and London Blocks

Banco Portugués de investimento, one of Portugal's biggest financial groups, more than doubled net consolidated profit in the first quarter to Es9.6bn (\$52.9m), from Es4.7bn in the first three months of 1997. A jump in earnings from bond and share trading, from Es1.3bn to Es6.5bn, made a strong contribution. Fee and commission-based income rose 36 per cent, to Es8.4bn. Earnings from lending and borrowing fell 5 per

cent to Es17.5bn. Operating costs fell 1 per cent in absolute terms to Es17.3bn, and from 74 per cent to 58 per cent as a percentage of total banking income. According to analysts, BPI has made substantial savings from restructuring after its expanaion into retail banking with large-scale acquisitions in 1991 and 1996. The bank is now merging its three retail networks into a single brand, Banco BPI. Peter Wise, Lisbon

FINLAND

UPM-Kymmene books gain

UPM-Kymmene, the Finnish forest industry group, said yesterday it would book a pre-tax gain of FM831m (\$154m) on the sale of 2.6m shares in Nokia, the Finnish telecoms equip-ment maker. "After these sales, UPM-Kymmene owns 11.7m

Nokia shares." the company said. At the end of 1997, UPM-Kymmene was the second biggest registered Nokia shareholder, with 2.4 per cent of the capital and 7.1 per cent of the voting rights. Fleuters, Helsinki

NORWAY

Aker slips to NKr123m

Aker RGI, the Norwegian holding company, said yesterday most business areas improved in the first quarter of 1998, although fishing, machinery and real estate remained disappointing. The group posted a pre-tax profit of NKr123m (\$16.7m) for the first three months to March 31 against NKr374m a year earlier. The 1997 figures included a gain of NKr300m from a sale of shares in property group Avantor. First-quarter operating profits grew 55 per cent from NKr158m den in city

a year ago to NKr245m. "This year will be better than 1997," Bjoern Rune Gjeltsen chief executive, said. He said the performance of Scancers. the cament group, was strong, contributing an operating profit of NKr80m against a NKr82m loss last time, The group's 73 per cent stake in Aker Maritime OL, the offshore supplies company, generated an operating profit of NKr196m, more than double the year-ago figure. However, Aker Stord, the machinery division, remained in the red. Reuters. Oslo

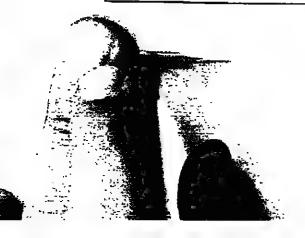
FORESTRY

Norwegian group surges

Norske Skogindustrier, the Norwegian forestry group, sald vesterday that a positive trend for printing paper, a weak Norwegian krone and a change in accounting principles helped more than triple pre-tax profits in the first quarter. The group posted pre-tax profits of NKr405m (\$55m) in the three months to March 31, compared with NKr118m in the same period of 1997. Operating profits jumped from NKr170m to NKr439m, while earnings per share between January and

March were NKr7.33 against NKr2.60. The company said the results were lifted by a one-off extraordinary item of NKr62m because of a change in accounting principles linked to management of foreign currency. The group's newsprint division saw operating profits more than double to NKr305m, while magazine paper jumped to NKr155m from NKr75m. Reuters, Osio

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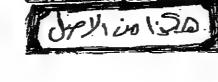


AND DEVELOPMENT

Dated: 7th May, 1998



Dated: 7 May 1949



AMP reveals share priority plan

AMP, Australia's largest ager, yesterday unveiled a highly unusual plan to enable existing shareholders to sell and purchase shares and to limit the supply to institutional investors before the group's listing on the Australian and New Zealand

managing director, yesterday said the arrangements have to wait until after the for the purchase and sale of book-build and the first shares ahead of listing were "unique". Under the plan, existing shareholders will be able to sell their shares into a special facility before the listing. They can also sell their shares into the market after listing and can apply to they will pay. They will also buy up to A\$1,000 (US\$644) he required to pay costs worth of extra shares from associated with their transthe facility up to June 3.

Institutional shareholders can also apply to buy shares of AMP's existing shareholdfrom the facility, but existing AMP shareholders will have priority, Mr Trumbull

AMP will announce the base price of shares sold into or bought from the facility June 15. The final facility

and will depend on a four-day institutional book-building process from June 9-12 insurance and fund man- and the market price in the stock's first five days of trading. In order to balance the

interests of AMP's existing 1.7m shareholders with the plan entitles shareholders who sell stock before the stock exchanges on June 15. Issting to a proportion of the George Trumbull, AMP's share price gains in the first week after listing. They will week of trading to know how much they will receive for their shares. Similarly, institutions

wanting to buy AMP shares will have to wait for the first week to know what price action, another condition designed to encourage many ers to sell quickly and help. to meet expected high demand from institutions. Analysis say most shareholders are likely to hold on to their stock, with only 10-20 per cent expected to sell in the short to medium



7.5 per cent of the total 1.04hn shares, will be available for institutional investors. If there are insufficient. shares left in the facility

a further 5 per cent, or 52m. No imparim dividend will be shares, to institutional inves-

With a prospective dividend/yield of 2 to 2.5 per dend for calendar 1998 of 18 cent, analysts said AMP was cents per share in April 1999, more of a growth stock for after chareholders have had for a payout ratio of 40-70 investors than a strong divi-

HDFC advances 12%

Housing Development Finance Corporation, India's up 29 per cent last year to biggest mortgage lender, yesterday announced a healthy profits increase, giving further proof that the country is not encountering the problems in property lending that plague south-east Asia. HDFC, which has about half of the Indian home loan market, reported a 12 per

its to Rs3.5hn (\$88m) for the year to March 3L "Non-performing assets are totally under control that is our strength," said Deepak Parekh, chairman. accounting for 0.69 per cent

cent increase in pre-tax prof-

New loan approvals were Rs32.5bn, with a 50 per cent increase in lending to indi-

good shape because prices have come down," said Keki Mistry, finance director. "Housing is now more affordable. However, loans to developers fell, while loans to companies to buy housing units

grew at a more sedate 15 per cent. Mr Mistry attributed this to a "slow-down in the corporate sector's expansion

HDFC's efforts to mobilise of total lending are twice a 26 per cent rise in deposits market in land.

HDFC lends on average only 43 per cent of the value of a property. Mr Parekh said the level of default is possible because India's middle class is averse to borrowing large sums and can call upon the belp of relatives in times of need.

He said residential prop erty loans were less risky than general corporate lending at a time when industry was undergoing restructuring. However, HDFC's long-term prospects depend on the progress of reform as India's archaic land use regniations and rent controls retail funds bore fruit, with currently restrict the free

Thai insurer ordered to close

Ratanakosin Insurance, a That insurance company specialising in vehicle insurance, was ordered by the That government to shut down operations yesterday after the cash-strapped company was unable to raise new funds.

The move highlights the liquidity problems of a num-

ance companies as a result submitted was immifficient of declining premiums, the and difficult to implement. falling value of portfolio investments and poor financial management.

Ratanakosin is the first That insurer to fail in the country's financial crisis. The government had given the company until the end of

April to submit a rehabilitation plan and begin to sell assets. The cabinet said than 3 per cent of total ber of Thai non-life insur- yesterday that the plan

The company had assets of about \$5m, and its 240,000 policies will be transferred to other private insurance

Analysts said the move would have little effect on the position of the financial industry as a whole, as insurance accounts for financial industry assets.

PLDT seeking

PLDT, the largest telecommunications group in the Philippines, is seeking a foreign partner to dilute its majority stake in Pilitel, skilary.

Edgardo del Fonso, PLDT chief financial officer, said he was looking at forming a joint venture with a foreign group that would hold PLDT's shares in the cellular phone company. PLOT would seek to maintain a majority share in the joint venture, he added.

The decision was part of the group's long-term strat- dilute its shares in Piltel to a egy of potting its non-core minority stake to avoid havfixed-telephony assets into a ing to consolidate the cellujoint venture and did not lar phone group's unflatterindicate a loss of confidence

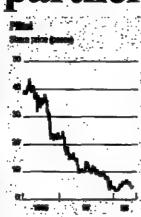
this industry is dizzying, and it is best for us to get foreign expertise," he said. "Some option at this stage."

deciation less December to ings in Mamila. The group step up its stake in Piltel. would be taking on \$280m in from 31 to 58 per cent in a new foreign debt in 1999 to \$114m rescue deal that and—finance its fixed-line buillysts at the time said ness, he said. stretched the parent company's balance sheet and research at indosnez-immediately knocked 6 per Wi Carr, forecast that Pil-

 $c_{n,p} \not\equiv e^{-2\pi i t}$

YOU THE STATE OF

cent off PLDT shares. Piltel suffered beavily last 400 per cent by 2000. year from exposure to fraudincurred a loss of 621m pesos pesos, in 1998.



PLOT was seeking to ing accounts into its own, would be a distnocutive to a quick deal, analysts said yes-

"Getting a foreign partner companies have also at this point, without a time-expressed inherest in buying round in sight, might be difinto PLDT, but that is not an ficult, as would be valuing Piltel," said Louie Hilado; The move follows PLDT's telecoms analyst at ING Bar-

Alex Connor, head of tel's gesting would rise to

Shares in Piltel, which lost ulent subscribers and 18 per cent last week, closed down slightly yesterday at (\$15.8m). Analysts expect 4.5 pesos. PLDT shed more another loss, of about 570m them 2 per cent to close at 1,070 pesos.

foreign partner

Samsung to cut debt in shake-up

By John Burton in Social

second largest conglomerate, yesterday said it planned to reduce its sprawling industrial empire and concentrate on electronics, finances and services in an attempt to cut its large debt burden.

Samsung will dispose of other businesses through mergers, joint ventures or self-offs to foreign investors that could raise \$5bn and reduce its debts from more than three times to twice its accounts, which are schedequity by the end of 1999.

But Samsung did not dismight abandon as it sought to focus on four or five core

its main businesses ery, chemicals, cars, shipmedia services.

will sell its debt-laden ship- recent financial crisis. building business and lossmaking petrochemicals reached medical preliminary are operations. The group said ment to sell its construction no decision had yet been made on the future of its new car subsidiary, which is forklift operations to Clark expected to suffer losses of the US for \$30m. because of a collapse in

Samsung had earlier indicated it might sell the car business if it failed to take est carmaker that went assets in Korea and overbenkrupt last year.

ting with Ford Motor of the Samsung. South Korea's US on a possible strategic partnership that would include a joint takeover of Kia, but talks have so far proved inconclusive. Ford is with a 16.9 per cent stake.

Samsung's announcement that its flagship business. (\$453m) last year on the basis of stricter consolidated year for all Korean compaclose what businesses it nies. Samsung Electronics reported a 1997 profit of Won123.5bn using current

accounting methods. Samsung, along with other include electronics, machin- Korean congiomerates, has been under pressure from building, retail, clothing; the government to focus on property development, and core industries to reduce high debt burdens that have Analysis believe Samsung contributed to the nation's

The group has already of Sweden for \$700m and its

Samsung said it planned to reduce its dabt burden to 1.25 times equity by 2002 by paying back Won29,000bn in debts over the next four over Kis, Korea's third-larg- years and selling property



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Premier Parks Inc.

has acquired

Six Flags Entertainment Corporation

and

Walibi S.A.

Lehman Brothers has acted as financial and strategic advisor to Premier Parks Inc. in these transactions.

LEHMAN BROTHERS



\$690,000,000

\$410,000,000 10% Senior Discount Notes due 2008

> \$280,000,000 9¼% Senior Notes due 2006

Price 61.391% Per Senior Discount Note Price 100% Per Senior Note

Lehman Brothers
Salomon Smith Barney
NationsBanc Montgomery Securities LLC

LEHMAN BROTHERS



LEE EES

\$170,000,000

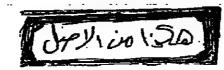
Six Flags Entertainment Corporation

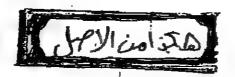
Guaranteed on an Unsecured Subordinated Basis by Premier Parks Inc. 8% Senior Notes due 2006

Price 100% Per Senior Note

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Salomon Smith Barney
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Premier Parks Inc.

\$994,000,000

Common Stock

Price \$54 Per Share

14,720,000 Shares

Lehman Brothers

Furman Selz

CIBC Oppenheimer A.G. Edwards & Sons, Inc. Salomon Smith Barney

NationsBanc Montgomery Securities LLC

Allen & Company Merrill Lynch & Co.

Morgan Stanley Dean Witter

Legg Mason Wood Walker

Everen Securities, Inc. Paribas

Goldman, Sachs & Co.

J. C. Bradford & Co.

Cowen & Company

Doft & Co., Inc.

Ferris, Baker Watts

First Albany Corporation

Prudential Securities Incorporated

McDonald & Company

The Ohio Company

Raymond James & Associates, Inc.

Janney Montgomery Scott Inc.

Sutro & Co. Incorporated

This tranche is being offered in the United States and Canad

3,680,000 Shares

Lehman Brothers

Furman Selz

Salomon Smith Barney International NationsBanc Montgomery Securities LLC

Paribas

M.M. Warburg & Co KGA

This tranche is being offered outside the United States and Canada

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\$310,000,000

Premium Income **Equity Securities** ("PIES")

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\$300,000,000 Premier Parks Operations Inc.

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NEWS DIGEST

AUTOMOTIVE COMPONENTS

SPX withdraws \$3bn

takeover bid for Echlin

SPX, the Michigan-based automotive components aupplier.

yesterday withdrew its \$3bn takeover bid for Echlin, appea-

entity leaving the way open for Dana Corporation to acquire

SPX's former target. Earlier this week, Dana, based in Tolerto

and a major car and truck component supplier, announced a

rival share-swap offer for Echlin, worth about \$3.5bn before

the assumption of debt. Directors at Echlin, which had been

fiercely contesting the SPX approach, gave their approval to

John Blystone, SPX chairman, said his company was "dis-

appointed" to lose Echlin, but that "a value-creating acquisi-

stake in Echlin, which also supplies automotive parts and is

Although Dana is widely expected to succeed as the "white knight" bidder for Echlin, shares in the Connecticut company still fell sharply on Wall Street yesterday, as the prospect of a continuing bid battle evaporated. By lunchtime, Echlin shares had fallen \$2 to \$48 to

IBM launches new generation

International Business Machines will today introduce a new

generation of mainframe computers with double the perfor-

mance of previous models. The new "servers", as IBM now

900m instructions per second (mips), when configured with 10 .

microprocessors. Industry analysts had been predicting per-

Although mainframe computers fell out of favour with the

remain the workhorses of corporate information technology.

IBM claims its new machines will deliver comparable performance.

mance to the latest models from Hitachi, one of its biggest

rivals in the mainframe market, but at significant cost, power

advent of networked computers in the early 1990s, they

prefers to call its largest computers, perform at more than

tion requires pricing discipline". SPX had acquired a small

based in Connecticut, calculated yesterday that the profit which it was showing on this would "more than cover the

CSN prepares offer for Brazilian rival

in São Paulo

The prospect of a bidding war between France and merged yesterday when CSN of Brazil revealed it was preparing a rival proposal to a bid by Usinor of France for a stake in CST, a small Brazilian producer of steel slabs with large growth potential.

Both blds involve minority stakes in Acesita, a maker of speciality steels which owns 34 per cent of CST.

The Usinor bid comprises an offer of R\$389m (US\$340m) for 49.9 per cent of Acesita's holding in CST. plus R\$235m for a 30 per cent stake in Acesita through a stock issue.

CSN declined to reveal the size of its offer, but an official said it would be "bigger" than Usinor's and would also be made through Acesita. "The target for both [offers] is CST." he said. The bid would be presented by May 25 at the latest, when

signed last month between Usinor and Acesita's controlling shareholders, a group of Brazilian pension funds, is due to expire. Usinor was unavailable for

comment vesterday. CSN's bid is an attempt to prevent Usinor gaining what could be a crucial position in the expected restructuring of Brazil's fragmented steel industry. The purchase of CST has been widely tipped as the first stage of the industry's consolidation into an exclusivity agreement two or three large groups.

CST exports more than 95 per cent of its output and in the hands of a Brazilian steel for investors for at least the maker would be likely to past year to help pay off concentrate on overseas dehts of about R\$1.2bn. Usinor's offer was viewed markets it went into profit in 1993 after privatisation

allowed Acesita's shareholders to retain a stake in CST planning to expand into while solving a large part of their debt problem.

Further restructuring of however, CST could be Brazil's steel industry may expected to attack the Brazilcome with the possible sale of stakes held by Companhia ian market, forcing CSN and Vale do Rio Doce (CVRD), Usiminas, Brazil's second biggest steel maker, to seek the world's biggest producer

Acesita has been looking cent of CST, 9.6 per cent of CSN and 7.7 per cent of Usiminas. In an interview in yesterday's Financial Times. Benjamin Steinbruch, CVRD president, said he hoped the company's board would contract a third party to negoti-

ate the sales. Mr Steinbruch said Brazil's low costs and plentiful raw materials gave it the opportunity nearly to double its \$3bn annual exports of steel, but the industry would first have to consolidate.

of expectations in first quarter

By John Authors in New York

Starwood Hotels & Resorts, the US real estate investment trust (Reit) which last year bought the ITT group of hotels for \$10.2bn, and Westin Hotels & Resort for \$780m, yesterday announced first-quarter profits ahead of analysts' expectations and said it intended to continue Its acquisition campaign this

Barry Sternlicht, chief executive, said he expected the company would make about \$500m-worth of acquisitions this year.

The company also confirmed that it was interested in buying the Essex House Hotel, which occupies a prestigious site on new York's Central Park South, from Nikko Hotels International, although it thought it would face stiff competition from several other bidders

Starwood's funds from operations increased to \$150m on revenues of \$2.1bm for the quarter - a sharp increase on the \$38.1m earned on revenues of \$173m in the first quarter last year. On a like-for-like basis, revenues at the company's

179 hotels increased 12.2 per cent to \$744m. Although the results were ahead of the consensus of known hotels in New York,

significantly in early Wall Street trading, off \$1% at

Mr Sternlicht also told investors that the company was considering changing its capital structure. Currently it is a "paired share" Reit, which gives it strong tax advantages when making acquisitions, but it seems likely to lose its tax privileges as a result of moves currently being made in Congress.

Starwood is considering several alternatives to its current capital structure, although it will not make any decisions until there has been a decision in Wash-

ington. Starwood confirmed its ioterest in Essex House after press reports that Nikko wholly owned subsidiary of the lossmaking Japan Airlines, had decided to sell it

However, the company denied this yesterday, in spite of a statement by Japan Airlines last month that it was considering liquidating or salling some of its overseas hotel asse

The company said that no definite decision had been taken to sell Essex House, one of the best analysis' estimates reported and that the hotel was "not to First Call, the research on the block".

Starwood ahead Eli Lilly chairman plans retirement at year end

the previous year, and is

higher value-added products

Under foreign influence,

over the next three years.

Randall Tobias, the man credited with turning around the fortunes of US pharmacenticals company Eli Lilly during his five-year tenure, plans to retire as chairman and chief executive officer of the company at the end of the year.

During that time, Lilly's market value has risen from \$14bn to more than \$70bn, even after a spin-off. Sidney Taurel, president and chief operating officer, has been named president and chief executive officer effective July 1, and will become chairman on December 31.

The unexpected decision by the 56-year-old Mr Tobias was influenced by his confidence in the state of the company, in its "very positive future prospects", and in Mr Taurel, who he said was "fully prepared to lead added that he felt "this is the right time for me to make a transition that I began considering even before I joined Lilly in 1993". Mr Tobias, previously an

external director of Lilly, joined the company in 1993 from AT&T, the US telecoms giant, where he had risen to become vice-chairman. The board had turned to an outsider, albeit one famil-

the general malaise in the pharmaceuticals industry caused by the Clinton administration's planned healthcare reforms, and by its own weak drugs pipeline and lack of strategic focus.

Under Mr Tobias, Lilly spun off its medical devices businesses in a new company, Guidant, and built the company's research effort, iar with the company, at a producing successful new president and chief operations expect any carical changes time of crisis, when the comproducts including Zypreza ing officer since 1996. Born a under Mr. Taurel's steward-pany was afflicted both by for schizophrenia and Spanish citizen in Casa-ship.

Gemzar for cancer The one blemish on his record was the acquisition of PCS, a pharmacy benefits manager, which one analyst described as "just a very expensive mistake, though it never crippled the com-

pany". Lilly took a write-

down on the acquisition last

Mr Taurel, 49, joined the group in 1971 and has been

blanca, Morocco, Mr Taurel completed his first degree in Paris and only became an American citizen in Novem

ber 1995. "He has been the heir apparent since they promoted him to president. He has always had a prominent role," said Alex Zisson drugs industry analyst at Hambrecht & Quist, who added that he dees not expect any radical changes

TELEPHONY

to \$733. Nikki Tait, Chicago

formance of about 750 mips.

COMPUTERS

Telegiobe in retail move

and space savings. Louise Kehoe, San Francisco

Telegiobe, the Canadian overseas carrier, announced yester day it is moving for the first time into retail telephone services a decision that will place it in direct competition with Bell :: Canada, its largest shareholder, as well as with the local phone companies and a host of alternative carriers.

Telegiphe is losing its 50-year monopoly on all oversess traffic in October as a result of government decisions to open the Canadian market to competition.

The company's network includes submarine cable and estellite links to 240 countries and territories. A new subsidiary, Telegiobe Communications Services, will start immediately offering services to international business callers in Montreal Toronto and Ottawa. The service will be expanded to consumers and to business customers in Calgary and Vancouver this autumn. Telegiobe has already launched retail services in . the US, focusing on business oustomers in New York and Weshington, DC, Edward Alden, Toronto

NOTEBOOK COMPUTERS

Apple unveils new model

Apple Computer, siming to boost flagging sales, vesterday launched what the company claimed were the fastest notebook computers in the world. Apple said buyers of the new PowerBook G3 notebook computers would be able to choose speeds and memory size. The company is expected to adopt the "build to order" approach pioneered by some of its rivels in a segment which is proving increasingly popular with PC

Based on a new version of the Motorola G3 microprocessor, which is also at the heart of Apple's latest deskino Mao intosh PCs, the new notebooks will outpace all equivale computers built around intel Pentium chips and Microsoft's Windows, said Steve Jobs, Apple Interim chief executive.

Mr Jobs also announced that Apple will expend its internet online sales operation to reach international customers and US schools. Sales through the internet Apple Store have risen steadily since it went online last year. Louise Kehoe

To the shareholders of GN Great Nordic Ltd.

The Annual General Meeting of the Company will be held on Monday 25 May 1998 at 3,30 p.m. at the Falkoner Center, Falkoner Allé 9, DK-2000 Frederiksberg, to transect the following busine

Report on the Company's activities

Presentation of the annual accounts for approval and discharge of the Board of Directors and the Executive Management from their obligations

Resolution for the distribution of the net profit for the year, including the declaration of a dividend on the shares of the Company

Soard resolution to authorise the Board of Directors to transfer DKK 597,875,454 from the Company's share premium fund to free reserves (other reserves)

Resolution that the Board be entitled to acquire up to 10 per cent of own shares

Election of Board members

Appointment of two auditors for the current

From Friday 15 May 1996 the agenda and the full and complete resolutions to be proposed at the Annual General Meeting, as well as the Annual Accounts and consolidated accounts, including the Auditors' Report and the Report of the Directors, will be available for inspection by the shareholders at the Company's registered office, Kongens Nytory 26, third floor, 1016 Copenhagen K. Denmark, and at the Company's offices in Great Britain, Great Nordic House, 204 Godstone Road, Caterham, Surrey and at SG Hambros Bank Ltd., 41 Tower Hill, London. Not later than eight days prior to the Annual General Meeting, the above material will also be sent to every shareholder on the Company's register of members at such addresses as the shareholders have supplied to

idmission cards to the Annual General Meeting will, until five days prior to the Meeting, be available on request from the Company's office from Monday to Friday between the hours of 10 a.m. and 4 p.m. to any shareholder who can prove a good title to his shares. The ownership of shares issued to bearer shall be proved by the presentation of an original statement of account of the shareholder's holding of Company shares, dated 13 May 1998 and issued by the shareholder's account-holding bank.

Any right to vote shall be conditional upon the voting share being registered in the name of the shareholder and entered in the Company's register of members and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired shares by way of transfer, the share shall furthermore have been registered in the name of the shareholder by the date when the Annual General Meeting is convened, or the shareholder shall have submitted notification and documentary proof of his title to such shares at the time of the notice convening the Annual General Meeting.

Copenhagen, 5 May 1998

The Board of Directors

versal Studios property. share loss was slightly better Universal's pre-tax earnthan the 3 cent loss preings increased 31 per cent to dicted by a First Call consen-

Drinks arm puts Seagram in red

group, suffered a sharp fall in revenues from its core drinks business as a result of the Asian economic turmoil. and fell into the red in the first three months of 1998. Increased profits in the company's entertainment

business were not enough to offset a 60 per cent decline in revenues from spirits and

sales, although expected,

adds to the troubles of the company, which is in the midst of a management shake-up at its flagship Uni-

US\$149m in the third quarter, but the company sold its lucrative television arm to wine in Asia. The group's Barry Diller's HSN group - family, has moved into third-quarter loss of US\$7m since renamed USA Net- entertainment since acquir-

compared with profits of works - last autumn for ing control of Universal in US\$27m last time. Total reve- US\$4.1bn in cash and shares, 1995 for US\$5.7bn. The group a move widely criticised at is thought to be near the top Earnings at Seagram's for EMI, the UK music

Tropicana drinks arm increased 12 per cent in the first three months. The group's 2 cents a

sus of analysts' estimates. Montreal-based Seagram. controlled by the Broniman family, has moved into

the Rolling Stones and the Spice Girls. Seagram's net income for the quarter was US\$461m. attributable to the after-tax gains on the sale of USA

group, whose acts include

Networks and the company's shares in Time-Warner.

Seagram's stock was trading at C\$59.50 mid-day, of C\$1.55 from Tuesday's close.

Creating a new sense of community

Sites such as GeoCities also offer mass audiences to advertisers, writes Christopher Price

hey have shopping malls, places to chat and community workers. They have millions of citizens, who can go to college, find a partner or just hang They are the internet com-

munity sites and they are increasingly being seen as the forum that marries the needs of millions of computer users with a platform for commercial success. "People want to meet other people of similar interests, and advertisers want to

reach them - that is the simplicity of the project," says David Bohnett, chairman of GeoCities, which was founded in 1995 and has become one of the biggest internet community groups. It has 1.7m active memhers - or "homesteaders" -

and 10m individual visitors every month. Besides providing a myriad services (many through deals with other online service companies), GeoCities' members can create and post their own web pages on the site. This direct interactive per-

sonal involvement is seen as giving sites such as GeoCities their sense of community. But the concept is not just about attracting and then delivering a mass audience to advertisers. Geo-Cities is divided into 60 distinct communities, by both age and interests. This not only creates more easilyidentified segments for advertisers to target, but also provides a platform for

"It's a compelling concept cent over the same period a for both advertisers and surat @Ventures, a US venture capital group for new media for GeoCities was based partly on the success of

Internet

for commercial Success.

electronic commerce.

pliers," says Bill White, presdent of internet investment and an investor in GeoCities. Mr Bohnett says the idea

community sites are being seen as the forum which marries the needs of computer users with a platform

America Online (AOL), the biggest online community organisation, with some 12m members. The AOL concept was developed before the arrival of the worldwide web and all AOL members subscribe more than \$20 a month for the service (although this includes inter-

net access). The rapid growth in revenues at AOL reflects the success of the community concept. Sales topped \$2bn last year, with net income of \$49m. Analysts are forecasting third-quarter revenues of build brand loyalty and \$682m, which would be an encourage visitors to spend ment of e-commerce and

year earlier. Analysts say the dozen or

so leading internet community sites are seeing similarly swift growth. None are publicly listed, and are cov about revealing financial details. However, Mr Bohnett says revenues at Geo-Cities. which is expected to be the first of several public listings from the sector, had revenues in its last financial year of between \$15m and

Their success in attracting millions of members and signing deals with high profile retailers has caught the attention of others in the

In particular, internet search engine companies, which help users to find web sites quickly, have been prominent in their courting of the emerging sector. For example, Yahool, the

biggest search engine group, has taken an undisclosed stake in GeoCities. In return, Yahoo! gains traffic from GeoCities when its members want to surf the internet. Some have gone further. acquiring community groups outright. Last month, Infoseek bought WebChat Broadcasting System for \$6.7m. It followed the \$58m takeover of Tripod, a similar site, by

Lvcos. In addition, the search engine groups have begun aping the community sites, adding similar services to increase of more than 50 per more time with them. Thus, sponsorship as well."

shopping, news and financial services, have begun to appear on the pages of search engine companies.

Peter Friedman, president and chief executive of Talk City, another leading internet community group, says: "The search engines have traffic but little audience franchise. Their average site visit is around 6 minutes against more than 20 minutes on community sites, Their primary driver is attempting to diversify their offering to advertisers."

Mr Bohnett is sanguine about the search engine groups' attempts to copy the community template. "We have been doing this for have just started. The question is whether they can create the conditions people want in a community site." Mainstream media compa-

nies are also following the situation. NBC, the US broadcasting group, has taken an undisclosed stake in Talk City, which has around 1m members, and is integrating some of its services, particularly entertainment, with those of NBC.

Mr Friedman believes a combination of the internet's rapid growth, the interest of mainstream media companies and the small but growing role of search engine companies, point to a rosy future for the community groups. "We have the model which is right for the consumer, and for the develop-

LKB Baden-Württemberg Finance N.V. 119\$1,000,000,000

Guaranteed floating rate notes due 1998 Notice is hereby given that the notes will bear interest at 5.65625% per annum trom

May 1998 to 9 November 1998. Interest payable on 9 November 1998 will amount to US\$29.22 per US\$1,000 nom and US\$292.24 per US\$10,000 note and US\$2,922.40 per

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Isbank. TO STATISH HOLDERS OF

TRANSPORTADORA DE GAS DEL NORTE S.A. US\$50,000,000 Floating Rate Notes Due 2004 NOTICE IS HEREBY GIVEN

that for the interest period April 30, 1998 to October 30, 1998 the Notes will bear inspect as a past of £5575% per amman. Interest payable on October 30, 1998 will amount to US\$45.43 per US\$1,000 Note.

BY: U.S. BANK TRUST NATIONAL ASSOCIATION, on Calculation Ages Dated: May 7, 1998

NOTICE OF ADJUSTMENT TO MATURITY RATIO AND EXCHANGE RATIO Nortel Inversora S.A. 10% Mandatoxily

Exchangeable Debt Securities Due 2000

Nortal inversors S.A. (d)

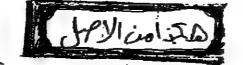
"Company") announces that certain ratios set forth in the

dated as of April 2, 1996 between the Company and U.S. Bank Trust National Association (formerly First Trust of New York, Nations Association), at Trustee (the "Trustee"), governing the Company's 10% Mandatorily sable Debt Securiti Due 2000 (the "MEDS") have been adjusted to reflect the change in the Telecom Argentina STET-France Telecom S.A. share to ADS ratio from 10 Class B Ordinary Shares per ADS to five Class B Ordinary Shares per ADS, 50 that the unmber of Class B Shares represented by the ADS to he delivered to the Holder of any Security upon (i) the mandatory exchange of such Security at Materity, as and forth in Section 11.11 of the Indenture, (ii) redemption at the option of the issuer, as set forth n Section 11.7 of the In or (iii) exchange at the option of a Holder, as set forth in tion 11.9 of the Indenture will remain the same. As adjusted, (i) the Maturity Ratio is two (2) ADSs for cars Outstanding MEDS, (ii) the inimum number of ADSs to be delivered upon redemption of MEDS pursuant to Section 11.7 of the Indenture is 1.7392 ADSs for each MEDS and (III) the Exchange Ratio is 1.7392 ADSs for each MEDS. Capitalized terms used in this notice without definition shall have the meanings specified in

BY: NORTEL INVERSORA S.A.

Dated: May 7, 1998

The second secon



COMPANIES & FINANCE: CHRYSLER/DAIMLER-BENZ TALKS

OBSTACLES

Atlantic gulf can drown mergers

By Richard Waters in New York and Graham Bowley in Frankfurt

Giant transatlantic mergers are not easy to pull off - as British Telecom and MCI Communications discovered to their cost last year.
If the failure of that deal

exposed the huge gulf in expectations that can sink a union between two foreign partners, the challenges faced by Chrysler and Daimler-Benz are likely to loom even larger. Unlike BT and MCI, Chrys-

ler and Daimler do not even talk the same corporate language. The German company has made attempts to woo Wall Street in recent years, but vast differences in operational style and culture still exist. That has left large management, financial and structural hurdles in the way of a merger - not to mention technical and regulatory aspects that will complicate the attempted union.

The structural differences are among the clearest Daimler-Benz is organised along typically German lines, with an executive board of directors responsible for the day-to-day running of the company and a separate supervisory board. The workforce has a representative on the supervisory board - an arrangement alien to most US companies

and shareholders. Doug Fraser, a former chairman of the United Autoworkers Union in the US, said he hald out little hope that a merger would lead Chrysler to give similar board-level representation to its American workers. While Daimler may have a close relationship with its German unions, it will be starting off in a shaky position in the US: the company's decision to build a non-union plant in Alabama, its first outside the US, still arouses ire among

Alternative move

A Sp. Day

American car workers. If Daimler has a tough fight ahead to win over may be true on Wall Street. The German company's list-ing on the New York Stock Exchange five years ago was meent to herald a new dawn in international capitalism, with Europe's biggest economy finally represented on the world's largest stock market. The honeymoon didn't last long: a large reported loss soon after its

arrival soured things. Indications yesterday. however, suggested Daimler may already have won over Chrysler's largest sharebolder, Kirk Kerkorian - an investor whose concerns that Chrysler was not paying enough attention to shareholders' interests led to him attempting to take over the company in 1995. One person close to Tracinda, Mr Kerkorian's investment company. said: "They're very supportive of the idea, they hope it goes through."

The deal raises very different questions for Daimler's own largest shareholder -Deutsche Bank, which owns a 22 per cent stake.

There have been suggestions that Deutsche Bank might want to reduce its stake in Daimler, but it has so far avoided doing so because of the large tax bill this would incur. A merger might present an opportunity for Deutsche to shrink its holding more cheaply.

US regulations may also force its hand. As a foreign bank, Deutsche would be allowed to maintain its large stake in an industrial company, a privilege not allowed to a US bank. However, that will hold only if more than half the assets and revenues of the merged Chrysler/Daimler are outside the US. If not, Deutsche would have two years to cut its stake to less than 5 per cent.

Chrysler-Benz offers ideal motor marriage

Both groups have much to gain, with little overlap, write Haig Simonian and Graham Bowley

Chrysler-Benz, as the new need to avoid compromising types of vehicle, such as peer in terms of range of products and geographic

It could trigger a new wave of consolidation in a world motor industry Three US carmakers plagued by chronic overcapacity and severe price pressure caused by releniless international competi-

For Daimler-Benz, partnership with Chrysler offers an instant solution to the long-standing dilemma of whether to develop a "second brand" to underpin the upmarket German group's decision to expand into volume carmaking.

range manufacturer through its core Mercedes-Beng brand. Adding Chrysler could provide the additional marque some of Daimler-Benz's bosses think they tiously in the 1990s into new

could harness the exceptional product and geographleading industrial group and the smallest of the Big

*Both are in very goodshape. They both would fit nicely in terms of regions and products," says Jürgen Pieper, automobile analyst at Deutsche Morgan Grenfell in Frankfurt. The difficulties might lie in valuing the two companies. There are few big mergers which turned out to be good ones."

Although linking the pair offers few of the obvious cost savings achievable through Until now, Daimler-Benz, merging two manufacturers has channelled almost all its from the same country or efforts to become a full- region, it suggests the deal may be easier to pull off than some of the failed automotive mergers of the pest.

The German group has been diversifying ambi-

amalgam in the making is the more polished Mercedes sports utilities and smaller being called, would be an Benz image. city vehicles. But it is still automotive giant without A twin-branded company best known for its large hux-TITY CHIS.

> ical fit between Germany's interpational familiarity of Mercedes-Benz's threepointed-star emblem has made the company's execuprovided profit margins which are the envy of its But Mercedes-Benz is

> > much more than a European luxury car specialist. It is the world's biggest maker of facturer and one of the world's largest builders of buses and coaches. Although centred in Germany, it has notably in Brazil. And last year, the company opened its first factory in the US for its new M Class sports util-

Chrysler, by contrast, is predominantly a US manufacturer. While making a

lifein bewei Marcetea Barg C. E and S. more Chrysler Jeen Dodge 1987 arit sales

under the Dodge, Plymouth become best known for its multi-purpose "people carriers", known as minivans in the US, and the sport utility vehicles made by its Jeep

decades - prompting severe started to re-establish itself abroad in recent years. But there is remarkably little overlap between the potential partners. Production at Chrysler's European operations, which made about 70,000 vehicles last year, is just 10 per cent of Mercedes Benz's car output The 60,000 M Class sports

utilities the German group After brushing with bankwill make this year at its ruptcy twice in the past two new factory in Alabama represent an even smaller fraction of Chrysler's total US output. Even in South America, their activities are com-

cultures would meld is less clear. Optimists argue the result could provide the best of both worlds. Ideally, it would link Mercedes-Benz's immense depth of engineering talent and reputation for quality with Chrysler's leanpess and speed.

Both companies would gain in the process. Mercedes has undergone a transformation under Jürgen Schrempp, the Daimler-Benz chairman. But it remains a sloth by Chrysler's far nim-

bler standards. A further trucks and cars would be included in a new, merged

Its aerospace division, returned to profit and is playing a key role in the restructuring of the European aerospace and defence involved in rail systems, microelectronics and finan

PROFILES CHRYSLER'S BOB EATON & DAIMLER'S JURGEN SCHREMPP

Quintessential car man with down-to-earth style

When Bob Eaton was ripped to succeed the high-profile Lee Iacocca as boss of Chrysler in 1992, he was widely described as the quintessential "car man" - much lower in profile than his renowned predecessor, but deeply involved in the industry. Little over the past five

years has occurred to erode that reputation. Chrysler, under Mr Eaton's downto-earth leadership, has pushed ahead in terms of efficiency and profitability. He also saw off Kirk Ker-

korian, the West Coast takeover in 1995.

decades with General nation worked well, with Mr tion development. Motors, the largest of the Lutz not only staying with moving to Chrysler.



flamboyant ex-Forti execu- discipline groups which in an industry downturn.

Mr Eaton, born in Cole- tive who was then Chrysler's steer new products through rado in 1940, reputedly tuned president, had seemed a the development stage - and up his first car at the age of strong internal contender. a desire to involve suppliers 11. He spent almost three But the Lutz-Enton combi- at an early stage of produc-

Last month, Moody's Detroit carmakers, before Chrysler but moving on to upgraded Chrysler's debt moving to Chrysler: become vice-chairman. ratings, partly in the belief
Mr Eaton's appointment Mr Eaton, meanwhile, won that its "low-cost structure was something of a surprise, plaudits for his emphasis on and tight capacity managegiven that Robert Lutz, the "platform teams" - multi-ment" would see it fare well

CONSOLIDATION POLITICAL FACTORS HAVE OFTEN DERAILED OTHER MERGER ATTEMPTS

Partnerships dogged by failure

executives whether there will be as many carmakers in 10 years as there are today, and the answer is invariably "no".

Ask the same people whether their company will be among those to disappear, and the response is always equally negative.

Chronic overcapacity in mature markets, cut-throat competition – reinforced by new entrants - and declining margins have become the three "givens" of the

economic prowess. In and management unesse. mature markets such as Europe, the US and Japan, politicians go to immense lengths to prevent factory closures and preserve jobs. Among newly industrialis-

world motor industry. Trade liberalisation has

virtually eliminated proinvariably follow.

the trigger for consolidation. Itions have taken place.

That they have not been so The list of known fa far speaks volumes about shows why the odds are usu- show. In the case of Fist- vehicle maker, hangs in the the role of the motor indus- ally against motor industry try as a creator of employ- mergers. Two reasons head

scuppered the Volvo-Renault

stage in 1993. As the transaction neared consummation, Volvo's shareholders ing nations, meanwhile, a grew increasingly unessy domestic carmaker is, like about joining forces with a an airline, a potent symbol state-owned French manu-

Concern about control

Lack of consolidation speaks volumes about the role of the motor industry as a creator of employment and a symbol of national economic prowess

of national achievement

The result is that the catalogue of failed attempts to the collapse of Fiat's various and regional market collapsdevelopment times, meaning through mergers and alli- other carmakers. In the past ambitious carmakers have there are virtually no more ances is longer than that of three decades, the Italian "niche" products. When one successful deals. Apart from group has discussed allimanufacturer devises a win-publicly known collapses, ances with Citroën, Ford and over by Daewoo, which is in ning formula, the others such as the failed merger of Chrysler, without ever turn negotiating on selling a Renault and Volvo, many reaching a deel. Such parameters should be other aborted secret negotia-

The list of known failures ment and symbol of national the list: political disquiet very advanced stage before Samsung or Hyundai.

Management issues caused

The barrier has invariably been the question of who would run the combined

both sides thought they would be in charge.

tions which have worked are almost always those in which there has been an unquestionably weaker party. The sale of Rover to BMW in 1994 was not a foregone conclusion; many observers thought Honda. which by then had close links with the UK carmaker, would take over. But few believed Rover had much chance of remaining independent in the longer term.

The same applies to the restructuring now transforming South Korea's motor industry. With the domestic been forced to pull back.

SsangYong has been taken significant portion of its shares to General Motors. Meanwhile, the fate of Kia the country's second biggest Ford, negotiations are balance amid expectations it believed to have reached a will be bought by either

An aggressive manager who reshaped an empire

Jürgen Schrempp, 58, has transformed Daimler-Benz, Germany's biggest industrial group, into a fitter, leaner. company since he took con-trol as chief executive in May 1995.

He dispuntled the diversified high-tech empire built up by his predecessor Edzard Reuter, selling off unprofitable interests such as Dutch aircraft-maker Fokker. The change in strategy

was costly and Sthrempp presided in 1995 over one of the biggest losses ever recorded by a European company - more than \$3bn. Since then he has put.

Daimler's aerospace division, embarrassing delays. DASA, and its trucks activi-

improving the range of cars in its Mercedes-Benz unit. Last year it began producbama in the US. The smaller A-Class and Smart cars are being brought to the market this year, although after



"Jürgen Schrempp: conted arch-rivel for top job

ties on a sounder footing. Schrempp has the reputation gained an engineering Daimler has focused on as an aggressive manager. degree and returned to improving the range of cars. His biggest coup was to oust in its Mercedes-Benz unit. arch-rival Helmut Werner, Under his stewardship then head of Daimler's Mer- Daimler has led the way in tion of the new M-Class cedes car unit. Mr Schrempp corporate Germany in sports utility vehicle in Ala- then brought Mercedes more closely under his control. western Germany, he began listed its shares on the New

Reules the local Mercedes branch. A burly, direct man, Mr He went back to university,

becoming more international. It adopted US GAAP Born in Freiburg, south- accounting standards and work as a motor mechanic at York Stock Exchange.

ABN-AMRO Holding N.V.

established in Amsterdam

(Flmal) Dividend

in accordance with the financial statements of 1997, approved during the Annual General Meeting of Shareholders held on May 6, 1998, the dividend per ordinary share for the 1997 financial year has been set at NLG 1.20 per ordinary share of NLG 1.25 nominal value. After deduction of the interim dividend of NLG 0.53 which was paid out in September 1997, the final dividend will be NLG 0.67.

The final dividend will be payable, at the shareholder's option, either wholly in cash or wholly in ordinary shares of NLG 1.25 value chargeable to the share premium reserve.

Shareholders are given the opportunity until the close of the AEX-Stock Exchange in Amsterdam on Monday May 25, 1998 to indicate their choice.

On May 25, 1998, after the close of trading on the AEX-Stock Exchange, the number of stock dividend rights of the ordinary shares of NLG 1.25 value, entitling the sharholder to one new share of NLG 1.25 value, will be determined on the basis of the average quotation for that day. The value of the stock dividend will not differ significantly from the value of the cash dividend.

The new ordinary shares of NLG 1.25 value, which are only available in CF-form, rank for the dividend for the 1998 financial year and ensuing financial years. Final dividend taken in the form of ordinary shares is chargeable to the share premium reserve and therefore exempt from Dutch withholding tax and income tax.

No trading of stock dividends will take place on the AEX-Stock Exchange.

The calendar is as follows:

May 7, 1998

May 7 - 25, 1998 May 25, 1998 (after close of trading) Ex-dividend quotation

Period for instructions concerning dividend options Determination of stock dividend

Final dividend payable

Shareholders are requested to notify their choice within the determined period, through their bank or stockbroker, to ABN AMRO Bank, 101 Moorgate, London or directly to ABN AMRO Bank N.V., Herengracht 595, 1017 CE Amsterdam, the Netherlands. If you, as shareholder, do not notify your choice at your bank within the determined period, generally your bank or stockbroker will make a choice for you. Your bank or stockbroker is asked to deposit your dividend rights at ABN AMRO Bank N.V., Herengracht 595 in Amsterdam before the closing of the AEX-Stock Exchange on May 25, 1998.

Payment of the cash dividend will be based on the number of dividend rights presented for cash within

Delivery of shares to your bank or stockbroker will only occur on the basis of the number of dividend rights delivered by it on May 25, 1998. Any remaining fractional entitlements will be settled in cash.

The ordinary share final dividend will be payable on May 29, 1998 by ABN AMRO Bank, 101 Moorgate, London or ABN AMRO Bank N.V., Herengracht 595, Amsterdam. Holders of registered shares, whose names have been entered onto one of the share registers, will be

notified separately of the final dividend.

Amsterdam, May 7, 1998 ABN AMRO Holding N.V.

HARKEN ENERGY CORPORATION

Notice of Required Conversion

US\$70,800,800 5.5% Senior Convertible Notes Due 2000

Mandatory Conversion Date June 12, 1996

Harken Energy Corporation (the "Company") hearby invescably exercises the option to consert on June 12, 1996 all of the 5.3% Senior Convertible Notes due 2002 (the "Notes") of the Company that have not been previously appeared and any apparating at the char of this needs into shares of its Company Stock to accordance with the arms of the Trust Indenture dated at of June 11, 1997 (the "Indenture"), presented to which the Company has instead as aggregate of (USS/ROOLDO) of the Notes, and conform that the Conversion Shares issuable and deliverable upon Conversion, shall be mad and deliverable upon Conversion, shall be mad and deliverable to the Noteholdest in succerdance with the instructions for registration and delivery of the Conversion Shares to catch Holder, in be provided by such Holder to the Conversion Shares to catch Holder, in be provided by such Holder to the

Any and all Holders of each None are required to serronder such Notes for convenient as the Practical Convenient Agest, Middend Beet, Mr. Morison House, Pages Street, London BC'SN 4DA, or to the Convenient Agest, Kredischneit S.A. Lanconhossy. 13 Boulevard Royal, L. 2935 Lungsbourg, R.C. Laurenbourg B 6395.

NOTICE OF EARLY REDEMPTION REPUBLIC OF SLOVENIA

USD 426 272 900 Finating Bate Amortizing Bonds dae 2006, Series USD-1 ISIN CODE: X50666642571 DEM 161 674 000 Finating Exte Amortizing Bonds due 2006, Series DEM-1 ISIN CODE: X50066643007

NOTICE IS HEREBY GIVEN as accordance with the Section «Principal Payments, Redemption and Purchases of the Tenns and Conditions (Series USD and Series DEM) and in relation to the Section 13 of the Fiscal Agracy Agreement, dated inno 11, 1996, that Republic of Stovenia has roully called for redemption on June 12, 1998 (the «Redemption Date») the construction principal amount of Floating Rate Amoutizor, Boards due 2006, Secies USD-1 (ISIN CODE XS0066642711) in USD 863,6365 per denomination of USD 1 000 and the constanding principal amount of Floating Rate Amoutizing Boards due 2006, Series DEM-1 (ISIN CODE XS0066643007) i.e. DEM 863,6365 per denomination of DEM 1 000 at the redemption price of part of the constanding principal amount, logalists with accused interest to June 12, 1998 (the «Redemption Price»). The amount psychie in respect of the redemption Price».

Recomption Date.

On the Recomption Date, the Recomption price will become due and puyable upon presentation of the Books at the office of Scanific Generals Bank & Treet S.A., Lorenthouse. FOR THE REPUBLIC OF SLOTENA SOCIETE CENTRALE HANK & TRUST SA, LITTER MOUNG as Flori Agent

COMMENT

Tate & Lyle

Tate & Lyle

Calling the bottom on Tate &

FOOD PROCESSING FULL YEAR PREDICTION CUT TO LOWEST LEVEL FOR DECADE AS BEET DISEASE AND INCREASED COSTS HIT FIRST HALF

Tate & Lyle forecast slashed on warning

Forecasts for annual profits at Tate & Lyle were slashed by analysts yesterday after the sugar and starch group warned of "substantially" lower full year profits.

announced with pre-tax profits of £76.5m (\$127m) for the six months to March 31. against £30.4m for the same months last year, or an \$8.3m. underlying £113.6m before Sir N an exceptional charge of

\$219m (£132m) for the citric found, Lynton "Red" Wilson, acid business of Bayer, the a director since 1984, will be German chemicals group. The purchase of Haarman & Reimer from Bayer, a world a 5 per cent drop on the day The warning was food ingredient is expected recent weeks. to enhance earnings in 1999.

The business is based in the US and had 1997 turn-

ing as chairman of Tate & being cut to £230m pre-tax, Lyle at the end of June. said compared to £241.3m in 1997

The company also the group was searching for announced it was paying a successor. Until one is acting chairman.

The shares fell 24p to 460p. leader in making the acid, a after performing poorly in A profits warning at the

annual meeting in February - after which the shares fell over of \$298m and profits of from 548p to 507p - had already led to forecasts for Sir Neil Shaw, who is retir- the year to end September

ere further cut to £170m-£175m vesterday, the lowest level for a decade.

Analysts tentatively suggested a recovery to £230m-£250m in 1999, well below earlier estimates of £300m or more. But Sir Neil insisted that,

despite short term problems, the group's growth prospects were "truly exciting." "I have the highest level of confidence in the manage-

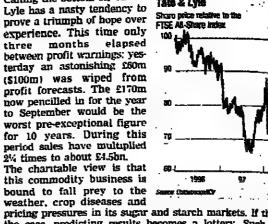
Forecasts for this year tive, said he was not happy with the results. "There are many areas where bluntly. we could have done better.' investments would begin to pay off after 1999.

A number of problems had hit first half profits. An improving trend at Staley. the US starch business, had been overshadowed by disease in Tate's US sugar beet harvest while other producers were enjoying a record year, Extra costs were incurred in commissioning

Larry Pillard, chief execu- an enormous \$550m starch plant in France; and a £10m loss in Greece - when a trader failed to deliver grain which had been paid for pushed the 66 per cent owned Amylum subsidiary into a small loss.

The strength of sterling also affected profits, and the interest charge rose from £29.9m to £41m.

Earnings per share were 4.5p (12.7p diluted). An unchanged interim of 5.3p will be paid as a foreign income dividend.



pricing pressures in its sugar and starch markets. If that is the case, predicting results becomes a lottery. Such poor quality earnings deserve a massive discount to the market And on that basis, current price/earnings ratios of 18 times for 1997-98 and 13 times for next year do not look low

But the management should never have so little control over the outcome. For instance, delays on a factory project and being cheated of £10m in Greece smack of bad judgment rather than bad luck. The search for an outside chairman and other retirements provide an opportunity to refresh a board dominated by long servers. That might actually bein deliver the long-awaited recovery.

J.Sainsbury

David Sainsbury's decision to prefer politics to groceries is richer in symbolism than investment implications. His tenure did coincide with the loss of a seemingly impregnable leadership position to Tesco. But it would be wrong to blame this reversal of fortunes solely on Lord Sainsbury. Errors were made under his watch, but even a grocer red in tooth and claw would have struggled with the legacy of his autocratic predecessor - and uncle - John Sainsbury,

Food retailing became a much more competitive business and the company was slow to realise that "more of the same" would no longer suffice. Arguably, a non-family member would have found it easier to challenge the legacy of the man who built the business. But that issue is now academic. The 1996/7 nadir forced the company to grasp the nettle, and yesterday's results confirm the stabilisation of its position. Whether George Bull can restore the company to its former glories is moot. Knowledge of the US market, though, may help bolster its still tenuous footbold there.

J Sainsbury chairman resigns to take up full-time role in politics

Lord Sainsbury of Turville vesterday announced his resignation as chairman of the family supermarket business that bears his name to take up a full-time role in politics.

end of an era for J Sainsbury, which has been run by a member of the family ever since it was founded 129 years ago in Drury Lane.

The recently appointed "the other things that are try minister. important to me".

New Labour, Lord Sains- group reported a 12 per cent

bury, 57, said he wanted to rise in pre-tax profits before spend more time in the exceptionals to £728m. on improving skills in Britain. There was speculation in

His departure after six Lord Sainsbury, who showing its highest levels of years as chairman marks the donated between £1m and comparable sales growth for 22m of his reputed personal fortune of more than £1.7bn to Labour's election campaign, could be offered a

ministerial post. However, the government Labour pear, whose time at is believed to be wary of the helm of Sainsbury saw it such a move, following the cede pole position in UK food controversy which surretailing to Tesco, said it had rounded the appointment of been a tough decision, but Lord Simon, former chief he had decided to quit to do executive of BP, as an indus-

Sainsbury's Lord A convert to Tony Blair's announcement came as the

House of Lords and in set- sales 8 per cent ahead to ting up the University for £15.5bu. The dividend was Industry, a flagship govern- raised 13 per cent to 13.9p. ment initiative aimed at on earnings similarly up at He said he was leaving the

Westminster yesterday that business in good shape, comparable sales growth for a decade. Like-for-like sales were running 2.8 per cent ahead in the first eight weeks of the financial year. Lord Sainsbury, who two

years ago faced calls for his resignation, after the group's third profits warning in four years, said the management had set "very clear targets and we met those targets. That is the test."

Lord Sainsbury said he had restructured the business and put in place a manleaving on a high note but clearly there are more things to be done," be said. Lord Sainsbury said his

and profits forward, "I am

departure would make no difference to the family shareholding of about 40 per cent. "The family remain committed and long term shareholders," he said. The shares closed up 2214p

at 502%p, lifting the value of the business almost 5 per cent to £9.6bn

Lord Sainsbury will be succeeded by Sir George Bull, the departing joint chairman of the food and drinks conglomerate Diageo, who will become non-executive chairman. Str Timothy Sainsbury, a non executive director, the last member of the family on the board, will retire following the transi-



contract with Unipart

BMW of Germany will not renew a long-standing contract under which parts for its Rover cars have been dis- other areas to more than tributed by Unipart, the compensate for the eventual components and logistics

The contract, which expires in four years' time, is part, and was the mainstay from it. of the company's business group has been expanding Rover was unaffected. fast into components manufacturing and a variety of

John Nelli, Unipart group years' notice to Unipart. chief executive, said yesterbusiness now accounted for people. It has already made about 200 jobs. only one-third or less of rapid progress away from

Both Mr Neill and Unipart's institutional investors. led by 14 per cent stake holder Electra Fleming. said they expected growth in partial loss of revenue from the Rover contract.

BMW said it wanted strategic control of its parts disworth several hundred mil- tribution business and the lion pounds a year to Uni- profits stream stemming It emphasised that rela-

when it was sold by Rover to tions with Unipart remained its managers 11 years ago. good and that Unipart's role Since then, however, the as a components supplier to Under the terms of the

needed to give only two

Toyota and other companies. part since privatisation.

It also distributes parts for Jaguar, owned by Ford, and some parts of Volkswagen's and Daihatsu's parts distribution operations in the UK. It also distributes parts for groups such as the Hewlett-Packard and Bull Computers information technol-

Other activities include cellular communications services, railway components and a joint venture with the government's Buying Agency that aims to improve services and goods supply chains to National Health Trusta.

Rover acknowledges that contract BMW and Rover it faces a tough task in setting up its own distribution infrastructure, which will The decision was not involve the establishment of day that revenue from the unexpected to Unipart, its own warehouses. The Rover parts distribution which employs around 4,500 move is expected to create

There are no indications turnover, which reached a dependency on distribution that BMW intends to seek to year with pre-tax profits of Mercedes-Benz. Honda, stake Rover has held in Uni-

BMW to axe distribution | GEC Alsthom well packed | Powerscreen losses and ready for flotation

By David Owen in Parts and Andrew Edgediffe-Jojuson in London

GEC Alsthom, Angio-French transport and engineering group, yesterday unveiled a solid increese in orders and profits in its last annual results before its flotation next month.

The group is likely to be valued at about £4bn (\$6.68bn) in what is expected to be Europe's largest public share offer this year. The joint venture between

Alcatel Alsthom of France and the General Electric Company of the UK announced net income for the year to March 31 of Ecu302m. (2198m) up 24 per London, Paris and New York cent from the Ecu244m recorded last year.

income after a decrease in some international customthe company's net cash. The record £1.1bn (\$1.83bn) last and now makes parts for dispose of the 20 per cent order book rose by 41 per cent to Ecull.57bn, having fallen by 8 per cent in the

tributed to the growth and said it had not been achieved by sacrificing operating mar-

Yesterday's figures took account of neither the acquisition of Cegelec, Alcatel's activities, nor of the Ecul.2bn special dividend that GEC and Alcatel plan to take out of the joint venture before flotation. Pro forma accounts including these two items will be provided in

time for the flotation, it said. The company also name and to seek listings in under the name of "Alstom".

consecutive consonants.

previous year. GEC Alsthom Alcatel rose from Ecu558tn said all its businesses con- to Ecu599m, with transmission and distribution, and industrial and marine providing the main impetus.

Operating income by division was as follows: energy Ecu206m, against Ecu216m; transmission and distribuengineering and systems tion Ecu205m (Ecu182m); transport Ecu162m (Ecu160m); and industrial and marine Ecu46m (Ecu21m).

The company acknowledged that its energy bustness faced difficult market conditions, but said its rail business had been held back it said Cegelec made oper-

ating income of Ecu83m on sales of Ecu3.3bn over the It described the name- relevant period. The trans-This was in spite of a change as a pragmatic mission and distribution Ecu94m fall in financial response to the difficulty activities of AEG were consolidated for six months in ers had in pronouncing four the 1996-97 accounts and for the full 12 months in the lat-Operating income before est period. Sales rose from payments to GEC and Ecu9.44bn to Ecu11.11bn.

to be investigated

The Serious Fraud Office is investigating accounting irregularities at Powerscreen International, the Northern Irish engineer which announced unexpected losses in January.

The SFO appears to have formers, made its decision, Mathr announced yesterday, after seeing a draft version of a Powerscreen, whose core report by KPMG. Powerscreen's auditors, into the of stone screening and losses. The exceptional crushing machines. The £46.6m (\$77m) loss was attri- scale of Matbro's losses buted to Powerscreen's Mat- caused surprise because it bro subsidiary, which made was so large in relation to its announced that it had by provisions against a diffi-decided to drop the "h" in its cult contract in the UK. | assets of Matbro and Matbro said the losses were a result (NI), its Northern Irish arm, of mispricing of machines. were last week sold for £7m, unauthorised discounts their asset value, to John Deere, the US agricultural inaccurate and misleading

machinery maker. Shareholders are still Bills of Exchange. waiting for the findings of KPMG's report, which had director, chief executive and been expected some weeks finance director all resigned ago. On Tuesday Power- in the wake of the losses

expected to review KPMG's findings before they were published, would not now do the work because of a potential conflict of interest.

Powerscreen was for a long time one of the engineering sector's star per-

Matbro had been one of the star performers within activity is the manufacture offered to customers and recording and discounting of

Powerscreen's former sales

Sixth Annual Investing in Conference



London Stock Exchange Limited (the London Stock Exchange). One-day Conference It does not constitute an offer or invitation to any person to subscribe for or purchase any shares. Application has been made to the London Stock Exchange for the whole of the ordinary share Keynote Speaker capital of INVESCO Continental Smaller Companies Trust ple issued and to be issued in connection with the Scheme, to be admirted to the Official List of the London Stock Exchange. It is expected that admission to the Official List will become effective and that dealings in the ordinary shares of Ip each will commence

> INVESCO CONTINENTAL SMALLER COMPANIES TRUST plc of registered in England and Wales under the Com Act 1985 with Registered to 35171195)

This notice is issued in compliance with the requirements of the

ADMISSION

of up to 100,000,000 ordinary shares of 1p each pursuant to the Scheme of Reconstruction of Continental Assets Trust pic

Copies of the Prospectus of INVESCO Continental Smaller Companies Trust plc relating to the Admission which has been published and dated 6 May 1998 may be obtained during normal business hours on any weekday from the date of this notice up to and including 9 May 1998 for collection only from the Company Announcements Office, London Stock Exchange, the London Stock Exchange Tower, Old Broad Street, London EC2N 1HP and during normal business hours up to and including 2! May

11 Devonshire Square London EC2M 4XR

BT Alex. Brown international a division of Bankers Trust International Pf C

The ordinary shares of ip each have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the applicable securities laws of Canada. Australia, the Republic of Ireland and Japan and, subject to certain exceptions, may not be offered or sold within the United States, Canada, Australia, the Republic of Ireland, or Japan or to any national resident or citizen of the United States, Canada, Australia, the Republic of Ireland or Japan.

7 May 1998

Barclays launches separate equities brand

By George Grabam and Alison Smith

Barclays, one of the UK's best known companies, yesterday bypassed its own brand to launch a new equity savings product under the name h2.

The creation of a saparate brand is a striking departure for a bank which, more than most UK rivals, has concentrated on promoting its

Martin Taylor, chief executive, acknowledged yester-day that the Barclays brand could not yet stretch far enough to reach the customers targeted by b2, forcing the bank to create a new

"If Barclays makes the progress I expect it to in the next five years, it would not

be necessary for it to do Westminster Bank's Gart- Taylor said the development such a thing."

Existing investors in Berclays Funds, the bank's unit tenham & Gloucester derivatives business original trust arm, are on average over 60. The bank hopes b2 will be able to attract younger savers.

Doug Hamilton, creative director at Wolff Olins, the corporate identity consultants, thought Barclays had made the right decision in giving the new operation its own brand because of the general unpopularity of the high street banks. "This is smaller and more approach-

able," he said. He said the b2 logo appeared "a bit funky for a bank - it looks like something you could drink quite

happily". Other banks have bought clays Capital, the bank's in brands, such as National investment banking arm. Mr

ness or Lloyds TSB's Chelmortgage arm.

equity fund offering an other equities operations. unusual combination of easy access and insurance against a stock market fall.

The administration and hedging strategy needed to provide a rolling guarantee for an investor who can save by monthly instalments and withdraw money at any time is unusually complex, and is

expected to require 27,000 separate equity options. My hunch is people will

find this not entirely easy to copy," Mr Taylor said. The equity hedging has been worked out with Bar-

more investment funds busi- of b2 had contributed to his decision to keep the equity nally put up for sale last The initial b2 product is an year along with the group's

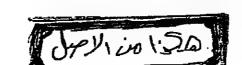
> Mr Taylor said the perceived risk and complexity of equity investment had "driven far too many people to keep far too much money in their deposit accounts when they should really be in the stock market".

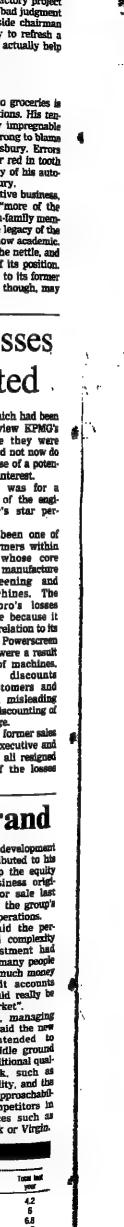
Mark Bogard, managing director of b2, said the new brand was intended to occupy the middle ground between the traditional qualities of a bank, such as safety and stability, and the freshness and approachability of new competitors in financial services such as Sainsbury's Bank or Virgin.

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R	ESU	LTS
	_	_

									· Dividends ·		
	Turno	rêr (Em)		e-en it (Em)		(p)	Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total las year
Anglo Irish Bank 6 mths to Mar 31 4	-	(-)	21.5	(13.7)	5.41	(4.23)	1.85	July 17	1.65		4.2
BSKyB	1,060	(899)	203.3	(215.3)	10.8	(11.9)	-		-	-	6
Brown (16)	317.9	(280.5)	41.3♥	(37.1)	19.3	(17.03)	5.25	July 24	4.8	7.5	6.8
Carbo Yr to Jan 31	86	(98.8)	0.672	(0.814♥)	0.52	(0.41)	0.8*	July 31	0.8	1.3	1.3
Edge Properties Yr to Mar 31 M	23.2	(16.4)	1.55	(1.07)	3.8	(2.7)		-	-		-
Grantchester	5.57♦	(2.88)	3.06	(0.845)	1.95†	(1.29)	0.4	-	_	-	1
Landbert Smith	42.1	(33)	3.8	(1.81)	15.5	(10.9)	3.4	July 1	1.6	4.5	1.6
Ocean Wilsons	94.8	(77.3)	11.B	(7.38)	19.11	(11.99)	4.5	June 12	3.75	5.5	4.75
Salosbury (J)	14,500	(13,395)	719 ♦	(609 A)	26.1	(22.1	10.15	July 24	8.8	13.9	12.3
Scottish Power	3,134	(2.947)	640	(558.)	41.28†₹	(38.11)	13.6	Oct 1	12.33	20.4	185
Tate & Lyle 6 mits to Mar 28.	2.201	(2,292)	76.5	(30.4♠)	13	(4.5)	5.3*	July 14	6.62511	20.4	18.337
Select Appoints 3 mt/s to Mar 3158S	299	(208)	15.024	(8.78)	15	(11)	0.0A	LANT 14	411730.0		3.5
StylloYr to Jan 31	294.1		0.7034	(2.82)	0.31	(3.5)	4.66		4.66		4.56
Time Products	90	102.3 1	17.2	(22)	21.17	(26.17)	7.6	July 24	7.5	4.66 12.5	12
Whithread Yr In Feb 28	3,198	(3,027)	380.9♥	(302.84)	B1.03	(50.84)	19.2	July 24	17.55		23.8
Willis Corrocci 3 miles to Mar 31	193	(194)	43.1	(45.7)	6.5	(7)	1.75□	July 1	1,65	26.02	6.6
Investment Trusts	in.	f (p)		butable iys (Sm)	695	(c)	Current payment (p)	Date of payment	Corresponding Orderd	Total for year	Total ke yeer
Calmgorm Rid Sees Yr to Mar 31	139.8	(105.1)	0.077	(G.081)	5.4	(4.31)	3	June 5	2.6	4.4	4
Jupiter European 6 mths to Feb 28	163.4	(141.2±)	0.075	(0.124)	0.16	(0.26)	0.7	June 12	0.7		25
Loweland 6 mths to Mar 31	451.5	(359.8)	1,3	(0.941)	5.5	(3.97)	4.5	June 11	4.3		11.6
Rorthern Investors Yr to Mar 31	578.6	(435.4)	0 416	(0.448)	10 4	(117)	6	July 16	5	8	7
Secs Tst of Scoti	144.4	(1129)	13.14	(11.6)	4.07	(3.59)	2.77*	July 3	2.62	3.94	3.75

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♠After stock. ★Foreign income dividend. ♣Irish currency. ♠Before windfall tau. ∰Includes FID enhancement. ■ Comparatives for 14 months to March 31 1997. ♦Hat rental income. §\$Comparatives restated. \$US currency. #Payable as 0.1p on October 1 and 4.56p on April 8 1999. □ Second interim. ☆ At August 31 1997. ★ includes 0.22p



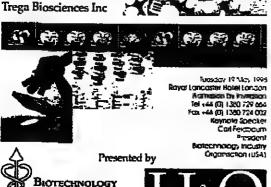




Creative BioMolecules Inc DUSA Pharmaceuticals Inc Ergo Science Corporation (GelTex Pharmaceuticals Inc Genset SA Genzyme General Gilead Sciences Guilford Pharmaceuticals Inc Heska Corp incyte Pharmaceuticals Inc. Ligand Pharmaceuticals Inc. PathoGenesis Corporation Pharmacyclies Inc. SangStat Medical Corporation

Shire Pharmaceuticals Groots Sonus Pharmaceuticals Inc.

> INVESTMENTS LIMITED



I stock tyle

Whitbread, the UK brewer, yesterday launched the summer results season for the brewers and independent pub companies with pre-tax profits at the top end of expectations

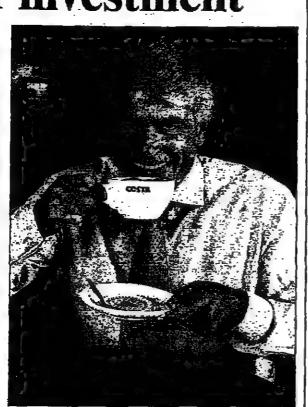
It also unveiled plans to create 5,000 new jobs in its pubs, restaurants and hotels. though these will be offset by up to 1,000 job losses elsewhere in the company, which recently announced the closure of two small

The brewing and leisure group said it would invest about £460m (\$764m) this year to open up to 80 new pubs and a similar number of restaurants. It will also open three new Marriott hotels – at Heathrow, Man-chester, and County Hall, the former seat of London's local government

Whithread will also open 25 Travel Inn budget hotels and eight David Lloyd sports

trading over the rainy Easter holiday was below expectations - though ahead of budget - knocked 50p off the group's shares. Investors feared it heralded a downturn in pub sales. The shares later recovered to £10.60p,

"Most people think consumer spending will alow," said Mark Puleikis of Merrill Lynch. "And there is still a lot of investment going into the pub market. With sterling starting to weaken, Whitbread could be losing its attractions as a defensive



Full of bears: David Thomas, chief executive

shares, down 34p to £10.82p, but left the smaller brewers and pub groups largely unscathed. Scottish & Newcastle, the UK's biggest brewer, also escaped the selling, with shares down only 4p to 924p after it announced its own plans to create 5,000

Despite the market fears,

jobs in its 2,600-strong pub

on the £440m invested in new outlets in the previous

Operating profits in the year to February 28 were ahead 18.5 per cent to £401.7m. Pretax profit rose 28 per cent to £380.9m, aided by a profit of £26.1m on asset sales. Sales rose per cent to 53.196bn. Adjusted cernings Despite the market faces, per share increased 14 per analysts described the Whit- cent to 55.69p (48.78p) and bread results as a strong per-formance. Profits and mar-gins were up in all seven the total for the year to

PROFILE

Belgian with a passion for expanding businesses

I hate going through headcount reductions' - Paul Buysse, chief executive of Vickers, talks to **Andrew Edgecliffe-Johnson**

which BTR assembled in

1991, including Roberto

Quarta at BBA and Bob

Beeston of FKI, "need to

walk around factories and talk to people -- we can't run

businesses on files or on

graphs or on computer spreadsheets." He adds, con-

vincingly: "With all of us,

Such remarks provide the

first hint about the reasons

for Mr Buysse's mysterious

"early retirement" from BTR

suave numbers man who

became BTR's chief execu-

to confirm the analysis' sus-

years of my life - until a

couple of months ago". He

adds: "Sometimes in life you

have differences of focus."

there's a lot of passion."

ess than four hours into his job as chief executive of Vickers, Paul Buysse said: For a Belgian anglophile, this is a dream." He was not talking about his elevation to head the maker of Challenger tanks, Cos-worth car engines and - for the moment, at least -Rolls-Royce Motor Cars.

He was pointing at the view from the 29th floor of Milibank Tower -- an imoressive sweep over the Palace of Westminster, the City and the neighbouring offices of M5, which he enthuses about as "a perfect building for its purpose - compact, discreet and efficient.

The florid 53-year-old is neither compact nor particularly discreet, but he has made an efficient start at Vickers. His new office was empty apart from a large box of plans and budgets, and he had just finished his first meetings with the divisional chief executives. "I'm an expert now on defence and marine propulsion," he laughs. "I've been here three

ours and 20 minutes." His appointment to take over executive duties from Sir Colin Chandler, Vickers' chairman, took many by surprise. He had previously made headlines only for leaving BTR with £1.14m compensation. He joins Vickers as it is trying to com-Rolls-Royce Motors, and is facing questions about keeping businesses as diverse as engines and marine propultion systems together.

Mr Buysse, who ran BTR's

power drives division from about "new BTR" versus 1994, says he was drawn to "old BTR", and with Mr Vickers because "the name Buyase's mentor, Bob Fairof the company and the corcloth, about to retire from porate image is so strong.

He is not prepared to say
what his detailed plans are, the BTR board, it is easy to surmise that Mr Buysse's but shareholders hoping for a break-up of the empire or an injection of financial rig-our may be disappointed. animosity: "The first fax I received when I got this job was from Ian Strachan."

"I'm in life to grow busi-He suggests that sharing a board with Sir Colin Channesses. I hate going through headcount reductions. Life dier may be easier. "That should be fun, and shrinking was my major concern when usinesses is not fun." He also makes it clear I had my many discussions with him, but the chemistry that, despite the box of borween us was immediate. Mr Buysse says only one of paperwork, he wants to spend as much time out of his office as possible. The team of divisional managers but hopes that the two will complement each other,

> man and chief executive of Charter who was among the Vickers non-executive directors who selected Mr Buysse said that the fact he had already run a business with annual sales of £1bn helped.

> Jeffrey Herbert, the chair-

Vickers had sales of £1.2bm last year, including Rolls-Royce Motors, and Mr Herbert said Mr Buysse's more international exposure would be welcome. Mr Herbert, another engi-

neer, says: "What you have in January. Did he just fall out with Ian Strachan, the in Paul is a professional industrial manager. He has a very strong operational tive two years before Mr background and all of us on Buysse left? He is not about the board felt at this stage that was essentially what picions, but be says his time at BTR was "the nicest 10 Some analysts are cau-

record, saying that although he assisted in BTR's acquisition and integration of



Mr Buysse talks with affection of the BTR manag- of BTR's engineering busiers fostered by Owen Green

in his last years in charge of the conglomerate. "Our intention was to be a very strong, super-professional management team. We brought that share price to 400p collectively and we are damned proud of it." He does not mention the

subsequent five-year slide in the shares, or that, at just below 200p, they are below where they were in 1991.

Mr Buysse's recollection of events is shared by ex-BTR and he says: "I think it is a executive Bob Beeston, who says: "All this bloody nonsense about BTR not growtious about his strategic Paul Buysse knew how to grow a business and he car-tainly knew how to make a this is what you will find in profit." Equally, analysts at Belgium." He faces more of

Parese's nower drives division with generating the best organic growth of any nesses between 1992 and

He has received recogni knighted by the King of the Belgians in 1994 for his services in turning around BTR's Belgian businesses, such as Hansen Transmis-

Three of his five children are in Belgium, as is his house (although he has been house-hunting in London) great country.

He adds, however: "My ing the business isn't true. shock: If you talk about With Mr Strachen talking Hawker-Siddeley, he made Merrill Lynch credit Mr the same at Vickers.

Willis warns on margins

Willis Corroon signalled that margins in the highly competitive world of insurance broking may get worse before they get better. Reporting a 6 par cent fall in first quarter 1998 profits, the group said yesterday it was scaling back its presence in North America, where competition has been flerce, writes Christopher Adams.

The closure of Plum, a US professional liability subsidiary, will result in a £30m (\$50m) goodwill write-off, to be charged against second quarter profits. John Reevs, executive chairman, said significant investment would have been needed to return | de France. it to profitability.

Pre-tax profits slipped from £45.7m to £43.1m, hurt in part by the recent strength of sterling. However, underlying growth in revenue was minimal as premium rates continued to slide for many classes of business

The latest renewal season had witnessed reductions of up to 50 per cent in the price of aviation insurance. Marine markets also suffered steep declines. Mr Reeve added that more of the group's revenue was coming later in the year as clients shifted to longer-term con-

e assertities branc

Mr Reeve said sterling would depress full year profrates remained unchanged. I fragmented to pose competi-

Brussels approves CU and GA deal

Commercial Union and Gen-Yesterday's decision by the European Commission to

wave through the deal, that the merger would be announced in February. bodes well for other large insurers in continental ning to join forces.

Germany's Allianz of Parisbased Assumaces Uttobrales

Brussels extended by two reeks until May 8 its initial month-long review of Allianz's acquisition in order to discuss the position of looking for indications of Coface, the French export what future strategy will be. finance insurer owned by AGF. However, analysts its attention on building a believe the commission is stronger presence in continear agreement with the

BAT Industries, which is to combine its insurance and asset management business with Switzerland's Zurich Group, is due to publish listing particulars for the new group on May 18. It has already obtained clearance

from the commission. CU and GA have relatively little overlap in continental

tion concerns. Regulatory clearance is nevertheless a significant and time-consum-European competition ing hurdle for all three regulators have cleared the insurance deals. The two £14bn (\$23bn) merger of British insurers have also secured regulatory approv eral Accident, the two com-posite insurance groups. in other territories, includ-ing Hong Kong and Australia, but are still waiting in the US. They said yesterday

completed in June. Both companies are expected to publish further details Europe that are also plan- of how the combined group might look after the merce The commission has yet to with first quarter results rule on the acquisition by next week. Several senior appointments have been made, Ian Balle of CU will bead operations in Australia and Patrick Wale of GA will run the business in south-

aest Asia. Analysts will also be The group is likely to focus nental Europe, where the prospect of monetary union next year has contributed to a wave of mergers and acoulsitions, the most recent of which was Axa's takeover this week of Royale Belge.

GA and CU both want to expand in Germany. For its part, CU is already acquiring Berlinische Lebensversicherung, a regional life assurer. Even then the two compa-Europe and the highly com- nies' combined market share petitive UK market is too of the German life market

In French M&A. Morgan means more than headline-making deals



Selected publicly amounced French M&A senignments in 1998 where J.P. Morgan is advisor

on the acquisition of a minority stake in Thomson CSF (pending) on the evaluation of hids by Promodès and Rallye U8\$2.2 billion on the sale of a 67% stake in Union Européenne

approx. US\$655 million on the acquisition of UIS from CAN US\$494 million (closed) Pinanti Printenus Redonte on the acquisition of a 47.5% stake in Brylane

(jointly owned by Mans Frères and La Chemise Lacoste) (closed) on the acquisition of Devenley S.A.

Suez Lyonnaise des Eaux and SITA on the acquisition of assets from Browning-Ferris We advise clients whose decisions make headlines. They turn to J.P. Morgan because they know we deliver more.

for more than 130 years. More innovative execution techniques. More commitment to achieving a client's objectives no matter how difficult the course. And more objectivity: we advise against a deal when we believe it's not in our client's best interests.

That's why J.P Morgan is a leading advisor on mergers and acquisitions in France. Our global capabilities and a passion for succeeding for our clients have made us a leading provider of advisory, financing, and other services in France, Europe, and around the world.

MERCURY SELECTED TRUST (SICAV) Postal address: B.P. 1058, L-1010 Luxembourg

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Mercury Sterling Trust ("the Company") will be held at its registered office at 6D, route de Treves, 1-2633 Semingberg, Luxembourg at 11.00 am on 15th May 1993 for the purpose of considering and voting upon the following matters

To accept the Directors' and Auditors' reports and to adopt the financial statements for the year ended 31st December 1997.

2 To declare such dividends for the year ended 31st December 1997 as may be recommended by the Board in accordance with the dividend policy of the Company and to fix their date of payment.

To discharge the Directors from their responsibilities for all actions taken within their mendate during the year ended 31st December 1997 and to approve their remuneration 4. To re-elect Mr S & Cohen, Mr D Ferguson, Mr F P Le Feuvre, Z O H M Baron van Hüvell, Mr V McAviney, Mr J Reimnitz, Mr B Stone, Mr P Stormonth Darling and Mr F

To discharge the Auditors from their responsibilities for all actions taken within their mandate during the year ended 31st December 1997.

6. To re-elect the Auditors. 7. To decide on any other business which may properly come before the Meeting.

Resolutions on the Agenda may be passed without a quorum, by a simple majority of the votes cast thereof at the Meeting.

The holders of bearer shares must deposit their shares not later than 7th May 1998 either at the registered office of the Company, or with any bank or financial institution acceptable to the Company, and the relative deposit receipt (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 13th May 1998. The shares so deposited will remain blocked until the day after the Meeting or any adjournment thereof.

Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 13th May 1998. Proxy forms for use by registered shareholders are included with the annual report and can also be obtained from the registered office. A person appointed a proxy need not be a holder of shares in the Company; lodging of a proxy form will not prevent a shareholder from amending the Meeting if he decides to do so.

REGISTERED OFFICE: 5D ROUTE DE TRÈVES L-2613 SENNENGERBERG , LIDICHISOLING R.C. LLDCHISOLING R.G.117

JPMorgan

strategic actrice · mergers & coquinitions · debt & equity capital raising · aways & derivatives · loan syndication · sales & trading · asset management D1998.1.P. Margan & Co. Incorporated, T.P. Margan & Cle S.A. accord at adulate on dispersion erions, J.P. Morgan is the attacketing under for I.P. Margan & Co. Incorporated and for to re and Same, THE WALL STREET FOR WALL EUROPE, & Dave James and Company, Suc. All Rights Reserved.

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Raytheon absorbs the post-merger collateral damage

Alexander Nicoli chronicles the transformation which industry consolidation has brought about at the US missile systems group

now." The apologetic manager runs the section that makes Patriot missiles, but what he says applies to almost any part of the large plant in Andover, Massachusetts, owned by Raytheon, the US electronics

extensive reorganisation detailed plan in which the fate of involving 80 factories across the US after Raythagn's US after Raytheon's purchase businesses of Hughes Aircraft and Texas Instruments.

The US defence industry is trying to reduce its cost base drastically because of the sharp drop in Pentagon spending on weapons this decade. There have been many takeovers, but Raytheon believes its consolidation effort is more radical than anything attempted by its competitors, which include Lockheed Martin, Northrop Grumman, TRW, ITT Industrie and Litton Industries.

Raytheon put its electronics interests together with those of and who was going Hughes and TI to form Raytheon Systems, which accounts for three-quarters of its \$20bn annual revenues. Within Raytheon Systems are five new divisions focusing on its different areas of

Of 80 factories, 20 are being closed and a further six closed pertially, reducing square footage by 20 per cent to 34m. About 9,000 out of 110,000 jobs are being lost. Although the merger with Hughes took effect only last December, none of the organisational structure of any of the three previous components is Petersburg, Florida; and it will left. Within three months, 840

"This area right here is in had been made. Raytheon This area right here is in a little bit of Systems is led by Bill Swanson, a knock out hear. Sys Dahlberg, who came from Hughes, as his number two. "Consolidations in our industry have been done in a stove-pipe fashion - everything keeps its identity," Mr Swanson says. "We knew we had a shot to do this

Like many other industrial companies, Raytheon Systems is establishing centres of excellence. But this is the reason for the massive changes at Andover which will actually result in hardly any change to its 3,900 staff numbers.

'None of us knew how this business was going to end up to do what'

The various components of the group previously manufactured circuit cards at 19 different sites. Andover is one of only two plants which will continue to make them, and it will expand in this area. Its machine shop is gearing up to be one of four - down from 15 – making metal parts.

But it will cease turning out 26 miles of cables each day, since they will all be made in St no longer make printed wiring senior managerial appointments boards as this will be

The biggest wrench will be reorganisation of missile production. Andover turned out 130 Patriot missiles a month in 1990-91, when they were used to when he visited the plant. But its Patriot work, mainly upgrading of existing systems, dries up temporarily in June since most

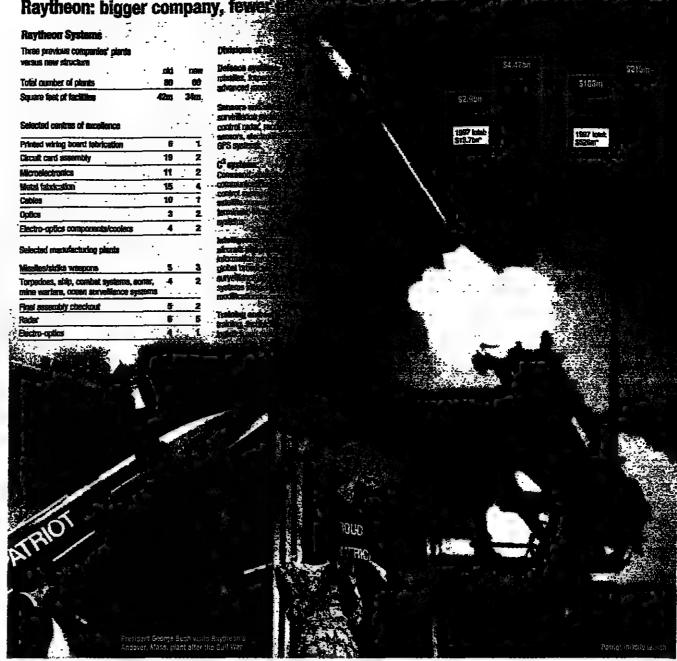
costomers have all they nee Andover is keeping the Patriot facilities – and will go on making upgrading surface-to-air missiles. But assembly of Advanced medium-range air-to-air missiles (Amraam) as well as Sidewinder and Sparrow missiles is being concentrated in Tucson, Arizona. (Raytheon makes the forebody and systems for missiles, but not the explosive.)

Scotland is a beneficiary of these changes, since control systems for Amraam missiles will now be made only at the group's plant at Glenrothes,

Mr Swanson says the restructuring was a team effort among top executives of the component groups: "All of us put our collective talents together, and none of us knew how this business was going to end up and who was going to do what." The lesson both Raytheon and

Hughes learned from previous acquisitions was speed. "The constant theme out of all this is do it faster," says Mr Dahlberg. Mr Swanson says: "The real key is you do your planning, you make your hard decisions, and you do them all at once. It's like the old thing with the Band-Aid, you can pull it off slowly, or you

Consolidation is more, however, than shuffling work overheads through slimmed



management and administration. It involves intense teamwork between divisions to improve processes: making the most of the leanest manufacturing techniques within the group, and striking new relationships with thousands of suppliers to take advantage of bigger

MANAGEMENT & TECHNOLOGY

This means, according to Brian Cullen, head of the intelligence and information systems between factories and cutting division, that integration produces much more than a

one-shot gain. Mr Cullen says: "Everybody is thinking at a new level, and this rolls forward in lots of ways, for example to the supplier base and in improving cycle time. Everybody's expectation of what we can do

changes.' Raytheon is also aiming to liversity its business base since growth in revenues from Pentagon contracts is unlikely to be spectacular given spending traints. It is hoping for much

TECHNOLOGY WORTH WATCHING

electronics - air traffic control and from exports.

condition for approval of its acquisitions, guaranteed annual recurring to be lower, we're going to be savings of \$1.7bn to the government, including price cuts for the Amraam missile. It is also working with the Pentagon, alongside other manufacturers, its acquisition methods.

Raytheon's consolidation will systems are among its products - not stop. Mr Swanson says: "None of us know of a competitor But the biggest customer who's done this. When you ask remains the Pentagon. As a us why we're doing it it's to gain a strategic advantage. After we Raytheon do it, our cost structure is going more competitive, more focused People are going to have to go this way, and they're going to have to catch us. But we won't stop there. We'll be prepared in a year and a half to tell you what

MARKETING PAN-EUROPEAN CAMPAIGNS

Border crossings

Ad campaigns are feeding companies appetites for growth, says Alison Smith

endorsement of fish maceuticals group. Fillingers has been an integral part of British childhood for more than 30 years. But for at least 15 years he has also starred in advertisements that cross geographical borders. The latest campaign - featuring a vounger. clean-shaven captain - is running in 10 European rather than individual countries and will be launched in Poland and Portugal in September.

Ammirati Puris Lintes, the agency behind the ads. says that in the early 1980s, when the frozen food convenience Europe was taking off, the internationally recognisable figure of a sea captain gave authority to the products. The captain is an example

of how an advertisement intended for one national market can be used across a continent. Along with an increasing number of campaigns created to work in several countries, such ads are feeding companies' growing appetite for Europeanwide advertising. "Today, pan-European

campaigns account for up to 40 per cent of what we do. Five years ago it might have been half that amount," says Fernan Montero, chairman of the European operations of advertising agency Young & Rubicam.

"About 90 per cent of our media spending is now on regional advertising, while five years ago this would have been 20 per cent." says of Reckitt & Colman, the

Captain Birds Eye's household goods and phar-

The incres se in Korobeanwide campaigns is mounted by the companies with products to advertise and the convergence of European tastes and lifestyles.

Ms Verhoog says Reckitt & Colman's shift to campaigns spanning broader markets nations came with its reorganisation from being "country-driven to being category-

A survey of multinational advertisers by Conquest, the European-based advertising agency, found that cost efficiencies and standardising brand strategies were the main reasons for conducting international adver-

Standardising cross-border brand positionings is possible because far-flung consumers are becoming more alike - particularly among young people and business executives, but among others too. "It is true for mainstream segments, such as blue-collar workers," says Mr Montero, "They share common values and charac-

Some categories of product are clearly more suited to common treatment than others. Terry Rosenquist, president of multinational clients for APL, says European-wide advertising works well in home and personal care products such as detergents

and deodorants. It can also work where the product is new, such as information technology, says Luca Lindner, Conquest's chief operating officer.

Devising a pan-European campaign may be easier for new products even in the difficult area of food, where cultural differences still pre vail. For example, earlier at improved this year Frito-Lay, the PepsiCo snack food division, created a single campaign for Doritos, the tortilla chip brand introduced in Europe less than five years ago. But international advertising for its brands of crisps - much more established European snacks - is confined to a one-off campaign to run during the football World Cup in June.

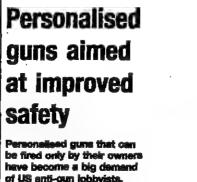
Where there are similar ties among the markets, one approach used by advertisers to make minor change to pan-European campaigns is to reflect national preferences. Y&R's advertising for Milka, the chocolate bar uses the theme of Alpine heritage in different ways. "For Germany, Austria and Switzerland the appeal is straightforwardly emotional while for France it is more tongue-in-cheek," says Mr

"It is not just a matter of whether you eat pasta, but how you eat pasta," says Mr

Multicultural campaigns can also be tricky when individual countries are at different stages of familiarity with a product.

Pressures to focus market ing efforts on international brands and campaigns are set to intensify and the pace may outstrip genuine con-Vergence among consum

Captain Birds Eye and his like will have to steer a care ful course.



have become a big demand of US anti-cum lobbyists. in derrogrammations taxet veckend, the anti-firearms group Stent March called on gun makers to rporate such technolo in their products to prevent accidental death by children

safety

playing with firearms, and to Colt, the US firearms maker, plans to become the

guns. "We hope to ship the first ones next year," says Marc Fontaine, chief operating officer. Colt save It has already built a prototype, and hopes to come up with a more efined version in June. After extensive testing, the product should be ready to

first to offer personal

marketing early next year. The first personal guns will use radio equencies to send a age to a computer chic embedded in the weapon. The owner will wear a watch or wristband that wands we activation signal to the gun. When the gun is outside a



pre-set range of the wristband - adjustable from lin to 1m – it shuts down. Radio frequency echnology has been around for a long time, but creating a durable product was a challenge. "Small explosion going off at the end of your nand is not generally a electronic devices," says Mr tains. "We had to make sure the chips would survive that and keep working through the life of the gun."

National Institute of Justice survey found 18 per cent of police officers killed in the ees strong commercial

line of duty in the US are shot with their own gun or that of their partner. However, with mounting merest in gun safety, Colt potential as well. The guns will cost between \$200 and \$300 more than a normal weapon, but the company says the differential will narrow as demand picks up.

IN BRIEF

Guns controlled by radio requency are already being criticised by consumers who eel wearing a band is too

Colt is working on a second-generation product that would use fingerprints to identify the gun owner. The firearm would be equipped with a tiny computer screen at the trigger. If the print on the screen is not recognis a chip inside the gun, it will shut down. The company is also experimenting

with voice recognition. Gun manufacturer Smith & Wesson worries that personalisation technol will make firearms less weapons. Yet with pressure Increasing on gun rereducturers to tubb afety features into their

products, gun personal a routine tirearms technology.

Victoria Griffith



Cosmic burst of gamma rays brightest since **the Big Bang**

Astronomera have datacted the most powerful explosion since the creation of the universe in the Big Bang. A recently detected cosmic gamma ray burst - one of the mysterious bursts of radiation that occasionally bombard the earth from space - was as bright as the rest of the universe, according to today's Nature, the international science journal.

The energy released in the flash roughly equalled that radiated by our entire galaxy over a couple of centuries say astronomers from the California Institute of

Technology, Columbia University and other institutions.

The burst originated from a

galaxy about 12bn light years

Coit's product was

each of which is 5,900bn miles) from earth. The origin of bursts like these remains a mystery. One possibility is that the rays are caused by neutron stars coalescing. But the scale of the latest blast would need a more powerful explanation, possibly involving the death of glant stars, or Involving neutron stars being swallowed by black holes. Caltech: US, 6263954010; http://astro.caltech.edu

Plants pick up liquid differences Plant fibres have been used to mop up spills for decades.

But the untreated fibres do liquids. They pick up oil and water equally readily, making it difficult to remove traces of oil in large volumes of water. Researchers at the

BioComposites Centre at the University of Wales have tried to overcome this problem by chemically modifying wood or plant fibres. University of Wales, Bangor.

US, tel (0)1248382004; fax

Dentai amalgam alternative

The UK government's warning about the risks to pregnant women of mercury poisoning from fillings is just one of a number of health warnings" relating to dental amalgam.

chemicals company, has come up with an alternative to maigam, which may have advantages over the altematives elready available. It says its tooth-coloured filling material is tougher, less likely to shrink and more biocompatible than existing plastic composites. It release

Degussa, the German

The filling, called Definite, is made of chains of silicon and oxygen that are combined in such a way that no small, residual molecules can be released in saliva - which is an occasional cause of allergles in conventional composites.

calcium and phosphate

ions to protect against

further decay of the

Degussa: Germany, tel 6153224747; matt.scanlen 6181595693; fax 6181595656. @mcmail.vanderbilt.ed

Child flu nasal vaccine promise

A nasal spray vaccine is showing promise as an effective way of immunising children against flu, according to US researchers. Researchers at Vanderbilt

University Medical Center in the US found the vaccine stimulated production of local antibodies in the nose, where the virus often enters the body. Further studies are under way to find out if the presence of the nesal antibodies stops the virus from spreading to the rest of the respiratory system. Vanderbilt University

Medical Center: US, tel

CURRENCIES & MONEY

FT SYNTHETIC EURO RATES



Daimler talks boost car shares

EUROPEAN OVERVIEW

By Martin Dickson, Financial Editor

News that Daimler-Benz, the German automobile group, was in merger talks with Chrysler of the US dominated European equity markets yesterday, pushing
trans-European indices modrange, with the D-Mark

ending the day 5.43 per cent ones.

FTSE Eurotop 300 index finished the day just 1.91 points Daimler, rose Ecu 3 to higher at 1224.81 Ecu 75.79.

The narrower Eurotop 100 Car manufacturers across closed up 10.88 at 2813.31, the region benefitted from while the FTSE Eblock 100, which tracks companies from European monetary 1003.72, up 0.76 points.

European bond markets end of day after the US Tree-

101.97, to yield 4.983. nated European equity markets yesterday, pushing trans-European indices modestly higher.

The surprise discussions pushed up vehicle shares, with the automobiles sector of the FTSE Eurotop index ending the day 5.43 per cent

But the impact was hroadly neutralised by a dull tone elsewhere, and the FTSE Euroton 200 index. while Deutsche Bank, which owns a 22 per cent stake in

expectations of further consolidation. Peugeot was up Ecu 7.3 at Ecu 168.41 and union "in" states, finished at Volkswagen rose Ecu 4 to

Ecu 782.04. Fiat of Italy and Renault traded sideways to lower for of France announced plans much of the session, with a to pool their bus-making small upturn towards the interests in a 50-50 joint venture that would be the sec-

sury announced plans to ond-largest bus manufac-change its refunding pro-gramme, including the cessa-cedes-Benz. Fiat ended up tion of three-year note Ecu 0.3 at Ecu 4.03, while

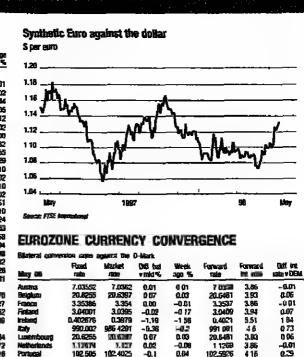
FTSE Actuaries Share Indices

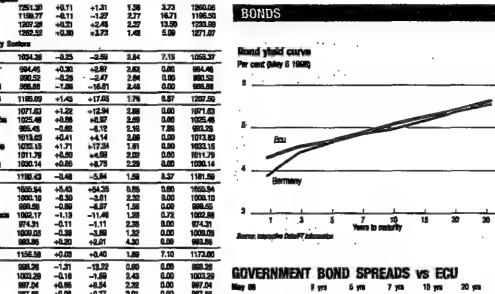
0.66 per cent higher, though issues. German bunds ended in positive territory, with the benchmark 2008 issue quoted at 101.98, up from cals sector rose 1.71 per cent. Ecu 44.15 amid speculation

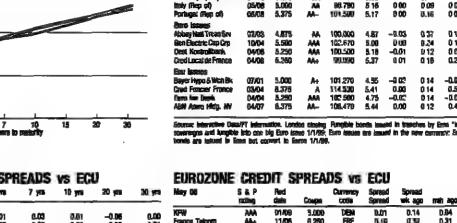
closed down Ecu 0.7 at expectations.

Ecu 177.04 on light profit-ting following its first-quar- sales figures.	

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1	Czeck Republic	čžx	36,766396	+0.2412	0.66	+0.1601	0.44
•	Denmark	DKK	7.625539	+0.0016	0.02	+0.0039	0.05
1	Finland	FM	6.074995	+0.0000	0.00	+0.0071	0 12
-	Finace	FRE	B.703548	+0.0011	0.02	+0.0012	0.02
-	Germany	DEM	1,968686	-0.0004	-0.02	+0.0001	0.00
3	Greece	CRO	347.357731	1.0611	0.30	-2.8968	-0.82
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t	Horway	MOK	8.305056	+0.0047	0.06	-0.0014	- 0.02
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_	Spain	ESP	169.822607	+0.1312	0.08	+0.0697	0.04
_	Sweden	SEX	8.577656	-0.010	-0.23	-0 0415	-0.4
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-	United Kingdom	GBP	0.681329	+0.0017	0.25	+0.0152	2.26
	ECU	ECU	1.013953	+0.0002	0.05	+0.0031	0.71
	Americae	HK.	1,296518	+0.0058	0.45	+0.0224	1.70
,	Brazili Canade	CAD	1,629255	+0.0058	0.45	+0.0351	2.27
	Mexico	MOON	9.599309	+0.0418	0.35	+0.1441	1.52
	Liedad States	USD	1.132528	+0.0049	0.43	+0.0188	1.00
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	Hong Kong	1900	8,775961	+0 0378	0.43	+0.14M	1.72
	Japan	PY	150.331796	+17729	1.19	+3.1714	216
	Singapore	SGD	1.827901	+0.0425	2.39	40.064%	3.54
	Steath Africa	ŽAR	5,726629	+0.0235	0.41	+0.0949	1.59
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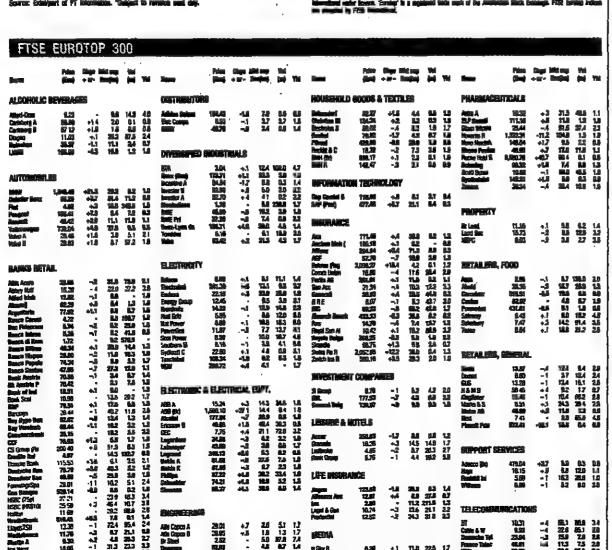
EUROZONE CORPORATE BONDS

Off, Integrated	950.52	-0.25	-2.87	2.64	0.00	ED.52
Oil, Exploration & Fred	986.88	-1.00	-16.81	2.48	0.00	986,88
CONTRAL DEDUSTRES	1195.09	+1.45	+17.05	1/76	6.87	1207.50
Construction	1071.63	+1.22	+12.94	2.88	0.00	1071.63
Selecting Nation is Marche	1025.48	+0.88	P. 27	2.59	0.00	1025.48
Chemicals	985.45	-0.82	-8,12	2.18	7,89	993.29
Directified Industrials	1012.63	+0.41	+4.14	2.00	0.00	1013.83
Castrook & Bast Espe	10301.15	+1.71	►17.3A	3.00	0.00	1033.15
Engineering	1011.79	+0.50	*4.0B	2.02	0.60	1011.79
Paper, Poleg & Printing	1030.14	+0.86	+8,75	229	_0.00	1030-14
CONSUMER GOODS	110.43	-0.48	-5.84	1.59	8.37	1181.59
Automobiles	1055.94	+5.43	+54.25	0.85	0.00	1055.94
Alcoholic Beverages	1000.10	-0.30	-3.01	2.52	0.00	1000.10
Food Promons	988.55	-0.89	-8.97	1.56	0.00	999.55
interior de la Texas	1002.17	-1.13	-11,46	1.28	0.72	1002.88
Healthcare	974.31	-0.11	-1.11	2.35	0.00	974.31
Nervaceulcule	1009.05 983.86	-0.38 +0.20	+2.01	1.32	0.00	1009.05
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SETTICES	1156.58	+0.03	+0.40	1,89	7.10	1173.00
Distribution	208.26	-1.31	-13.22	0.90	0.00	995.26
Lidmons VI. Monets	1003.29	-0.16	-1.50	2.43	0.00	1003.29
Meda	997.04	+0.55	+8.54	2.32	0.00	997.04
Retailers, Food	167.85	+0.08	+0.77	2.01	0.00	987.86
Relations. General	921.15	-0.88	-6.76	228	0.00	991.15
iniecommunication	1004.78	+0.31	+3.08	1.59	0.00	1004.78
Marie A Page A	985.86	-2.33	-23.04	2.76	0.00	965.65
Support Services	1005.05	+0.24	+2.59	1.30	0.00	1002.02
Imespori	978.53	-0.20	-1,時	2.27	0.26	978.81
miornation Technology	1016.49	+1,24	+1241	0.33	_	1016.49
This said	1304.66	-0.10	-1,22	3.52	23.71	1344.73
Bactricity	996.90	-0.21	-214	3.43	0.00	995.90
Ges Distribution	995.72	+0.67	+8.69	1.86	83.72	1086.31
Nator	977.48	-0.75	-7,36	5.20	0.00	977.48
PROMICINES	1387.93	-0.06	-0.86	1,82	11.04	1367.44
Banks, Rain	996.40	+0.02	+0.25	2.07	1,60	1000.14
June 1990	1001.23	+0.04	+0.39	1.25	0.00	1001.23
Life Incurance	991.00	-1.19	-12.00	1.51	0.00	991.98
Other Flowncial	P90.14	+0.37	+3.88	1.95	0.00	209.14
invaciones Companies	DB2 R2	-0.05	-8.40	2.2	9.00	962.82
Property	865.35	-0.66	-8.48	2.72	0.00	963.35

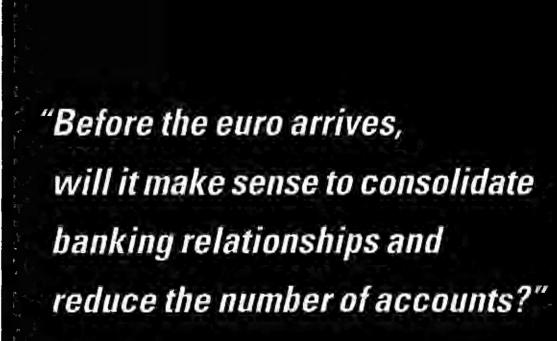
ABN-AMRO

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KPW	AAA	91/09	3.000	DEM	0.01	0.14	D.
France Telcom	AA+	11/05	0.250	FRF	0.19	0.34	D.
Hediax	M	07/07	5.625	DEM	0.20	0.36	ū.
IN DUING NV	M-	01/08	5,500	NLG	0.19	0.33	D.
Bayer Hypo W Blk	A+	02/02	6.760	m.	0.27	D 86	D.
Cred Foncar	Ä	02/03	7.250	DEM	0.36	0.93	0.
Thomason-dispatit int.	Æ	03/04	376	PW.	0.34	0.63	ä
Generale des Eaux	588+	03/04	8.260	178	0.25	0.62	ā
Bank of China	BER	07/99	7.125	DEM	0.71	9.65	ā.
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the euro

You'll get more insights from ABN AMRO.

GOVERNMENT BONDS By Vincent Boland and Jeremy Stant in Landon and John Labate in New York

Changes to the US Treasury convergence would be com-auction schedule and a pleted fairly quickly but its smaller than expected refi- effect might be limited. nancing next week gave bond markets a much Italy and Spain and some needed boost yesterday.

estly after the announce-bond yields are likely to stay ment, helping put the brakes where they are. The main on another day of moderate risk for yields is on the losses in European markets. which ended flat to slightly higher in quiet trading.

Interest rate concerns continued to dog the European markets as investors concen-trated on the timing of the would be changing. By early together gave a lift to the last stages of convergence.

with rate cuts in Spain and down to 5.944 per cent.

Italy, and perhaps Ireland, in core European rates were

Han de Jong, international strategist at ABN Amro, said

"We will see some cuts in tightening by the core coun-US Treasuries rose mod- tries, but not by a lot, so upside," he said.

Much of the day's activity. however, was spurred by a stronger opening in US TREASURIES after news The issue could continue mark 30-year bond was up & to dominate for some time, to 102%, sending the yield

Among shorter-term issues ufactureres' orders, which 100st, yielding 5.574 per cent, and the 10-year note gained å to 96%, yielding 5.667 per drop. Traders were waiting

The auction changes were brought about by the US in the session. budget surplus. The Treasury said five-year notes would be sold quarterly rather than monthly after June and three-year notes would be eliminated later in

"This is quiet a dramatic change in the supply pattern, and it's causing some dislocation in the curve," said Ken Fan, international bond strategist at Paribas Capital Markets. "All of this afternoon the the bench- bond market, especially in the intermediate sector." The main economic

release was a survey of man-

for the release of the Federal Reserve's "beige book" later

regular meeting of the Bank and we have seen some of England's monetary policy committee, which concludes today. The view that no further interest rate the two-year glit/bund increase is likely was spread in the last few days," reinforced by the release yesterday of another survey showing the services sector continuing to strengthen, though at a slower pace.

Trading was lacklustre ahead of the MPC decision. The June gilt future settled a lower at 1083, but vol-50,000 contracts

New international bond issues

exchanged by late afternoon. give direction. Unemploy the short term before the the two year note rose 1 to rose 0.3 per cent in March. The spread between 10-year The February orders figure gilts and bunds edged in slightly to 91 basis points. was revised to a 0.7 per cent

In the cash market, investors that believe interest rates have peaked continued to pursue activity in short-The UK GILT market was dated paper. "There is rela-awaiting the outcome of the tive value at the short end aggressive buying of the two-year to five-year end and some sharp movements in said John McNeill, government bond strategist at

Sutherlands stockbrokers. GERMAN BUNDS ended flat, shrugging off early losses on the back of a stronger US market. Trading in both the cash and futures markets was again light, times on Liffe were light, with little fresh economic data on the domestic front to

ment data on Friday is the nest signpost, but are expected to contain few surprises

The June future settled unchanged at 106.83, with 350,000 contracts exchanged on the DTB. Other European markets posted single-digit gains in later trading, also recovering from early weakness, but again there was little vigour in the markets.

DANISH BONDS recovered after being hit by Tuesday's interest rate rise. Analysts said attempts to end the country's crippling strike had helped to calm nerves. The market held up well in later trading but its outperformance of bunds was

reversed later. The spread between 10-year Danish and German bonds widened slightly to 32 basis points.

NEWS DIGEST

SOVEREIGN RATINGS

S&P, Moody's standardise approach to Emu nations

Standard & Poor's and Moody's Investors Service, the two largest credit rating agencies, have come close to standardising their approach to rating European government bonds fol-lowing the announcement of the membership of European economic and monetary union.

S&P yesterday eliminated the differences between foreign and local currency ratings for the 11 member nations. It also upgraded Ireland to AA+, and revised the outlooks of Finland and Spain to positive. Italy's outlook was also improved to stable, from negative - a factor that was behind the narrowing of the yield spread between Italian BTPs and German bunds yesterday.

Moody's foreign and local currency ratings have already converged, reflecting the fact that exchange rate and monetary policy for Erru members will be passed on to the European Central Bank.

The only real difference in approach is that Moody's has unified the foreign currency cellings of all Emu members to AAA. But in practice, S&P has taken the same stance by stating that issuers in the Emu zone are not constrained by the rating of the country in which they are domiciled.

Moody's now has four Emu countries with sovereign ratings lower than AAA, while S&P has six. Both agencies are adamant that credit differentials between the Emu members will remain even after the creation of a single currency.

S&P said yesterday: "Despite the policy commitments of member states, the fiscal and debt pressures they face and the flexibility each enjoys varies. The risk still is that some may falter in their resolve to maintain fiscal discipline for many of the same economic and political reasons as in the past."

CHINESE ITICS

Moody's says outlook worsens

The outlook for China's International Trust and investment Corporations (TTCs) is rapidly worsening, according to Moody's Investors Service. It said profitability was being eroded and the groups faced substantial indirect foreign exchange risks, as central and local government support might wane.

The performance of Korea's chaebols following the country's currency crisis has raised concern about other statesupported conglomerates in the region. The ITICs have been at the forefront of the China's push into the international capital markets. CITIC's Hong Kong arm has developed into the largest of Hong Kong's so-called red chips, with substantial businesses in both Hong Kong and China.

However, China was deemed to have escaped relatively unecathed in the Asian crisis. Nonetheless, Moody's argues that in the face of weakening profitability, capital injections may be required. Central bank supervision over the ITICs has "been woefully deficient", Moody's argues, "due to frequent interierence from [their] powerful owners". Simon Davies

Finland joins the euro bandwagon for E2bn

INTERNATIONAL BONDS By Edward Luce in London and

Raymond Chin in Cases Finland yesterday became the latest European sover-

eign to join the euro bandwagon with an R2bn deal. The bond, which is now the tightest priced European sovereign in euros at a launch spread of just eight basis points over the curve, found a receptive audience in both Japan and Germany, said lead managers. About 15 per cent of the allocation

went to each market. We think that the events at the weekend [where bilat-eral conversion rates were tranche bond, priced at tor with a \$500m 10-year set for European monetary spreads of between 88 basis offering. The issue, priced at union] has encouraged some funds to look at sure- over US Treasuries, is denominated bonds for the secured on receivables from first time," said an official PDVSA's oil revenues.

at J.P. Morgan, joint lead manager with Paribas.

recently upgraded by one cantly higher than Venezuenotch to AAA by Moody's la's sovereign rating. The Investors Service, is the fifth bond will be serviced European sovereign after through a special purpose Italy, Spain, Sweden and vehicle domiciled in the Cay-Greece to tap this market. The bond, however, was shield investors from any

technically a domestic issue that will be fungible with a forthcoming markka-denominated offer. Yesterday's bond was sold to mostly US investightened about half a basis tors, will go towards' point after launch. PDVSA's 10-year expansion point after launch. Petroleos de Venezuela plan. The maturity of the (PDVSA), the state-owned oil five tranches ranged from

company, returned to the five to 30 years. market with a \$1.8bu securitpoints and 165 basis points 40 basis points over the US

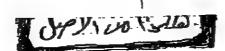
Because of this, the bond was rated A2 by Moody's Finland, whose rating was and A by Fitch IBCA, signifiman Islands in order to exchange rate risk to the Venezuelan currency. Proceeds from the lasue, which

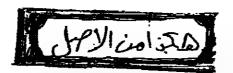
> FRANCE TELECOM mude Tressury benchmark, was lead-managed by Paribas and SBC Warburg.

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ELEROS(e)							
Republic of Finlandiii	2bn	5.00	98.20R	Apr 2009	0.225R	-96	# Morgan/Perbes
Deutsche Finance Neille	500	5.00	99.828R	May 2005	0.30R	+15(715Ap+05)	Dautsche Benk
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Average life yrs: a1] 4.86, a2] 7.13, a3] 9.86, a4] 17.36, a5] 28.63. b) Callable from Jun 01 at per. b1] 3-min Libor +25bp. c) Fungible with \$300m. Plus 54 days accrued. Callable on \$71203 at 104/45 failing 11/45ps to per on \$71205. d) 3-min Libor +100p. e) Payments in Ecu prior to Ensu. Spread relates to French gove Ecu bonds. f) Plus 18 days accrued. Fungible with to be lessed FMSbrt (approx) upon Ems. g) 3-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 3-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 6-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 6-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 6-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 6-min Libor +127bbp. ti) Fungible with DM2bn and FR5bn upon Ems. g) 6-min Libor +127bbp. ti) Fungible with to

WORLD	BOND PRICES				
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CURRENCIES & MONEY

Yen sings blues after Golden Week

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the euro, he said. He added

that there was no economic

reason now to raise German

Mr Palm seemed to contra-

monetary union now sorted,

D-Mark down.

MARKETS REPORT

By Steem Kingson

Tokyo investors returning from their Golden Week holidays sold Japanese shares, bonds and yen yesterday, as sentiment over Asia grew

Weak economic data from various countries in the region and pessimistic comments from Japanese officials hit the yen. Kolchi Kato, a senior Liberal Democratic Party official, said more Japanese financial companies could fail, while Koji Omi, economic planning minister, said Japan's credit crunch did not seem to be

They undid the gains the yen had made during Golden Week, when Tokyo officials went on a roadshow to talk up the Japanese economy to foreign investors. Gerard Lyons, chief economist at DKB International in London, reported that Eisuke

Her C

Sakakibara, the legendary agreed this week to help the Japanese finance ministry yen rise against the dollar. performance in the UK.

The yen's fall was more terday. This is because investors still believe that the Bank of Japan might sell dollars in the market. Jeremy Hawkins, chief economist at Bank of America in London, said some investors thought next week's summit of the Group of Seven industrialised nations in Birmingfor the yen. Also, G7 finance ministers meet in London

from tomorrow. Mr Lyons said President The D-Mark was given a Bill Clinton and Alan Greenspan, chairman of the Federal Reserve, may have

POURD IN NEW YORK - Latest - Prev. class -1.6595 1.6570 1.6520 1.6367

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official, had given a bravura That would delight stricken exporters in other Asian countries, who rely heavily dramatic against the D-Mark on sales to Japan. It would than against the dollar yes- also reverse the "strong dollar policy" that the US has followed for three years.

The Nikkei 225 share average dropped 2.29 per cent yesterday, and Japanese benchmark bond yields fell to a record low, dragging the lar to close in London at Y132.7. It fell Y0.91 against ham might express support the D-Mark to Y75.22. The bad news from Asia also hurt the Australian dollar.

> hand yesterday by Guntram Palm, Bundesbank council member, who said the currency's strength in recent days was no cause for concern. The direction of exchange rate movements was "not unwelcome". The D-Mark's rise showed the market's confidence in the

> > 19,8656 50,5561 11,9256 8,539 8,2271 2,8497 87,789 1,142 2815,78 3,2015 11,8753 281,943 341,943 21,2898 2,8871

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216.737 6.5949 3.0506 57.2901 6.213 2.6917 8.6966

Storting Against the D-Mark (DM per E) campaign slogan of Helmut 208 Kohl, the chancellor. The dollar and pound each 3.05 dropped 0.8 pfgs against the

D-Mark to DM1.765 and DM2.933 respectively. Anyone who thinks the European central bank will be soft on inflation should read a report published by the European Parliament's

Socialist group. It notes that four of the bank's six executive board members, including Wim Duisenberg, the future president, have said in the past that inflation should be no

OTHER CURRENCIES dict other Bundesbank officials, who in recent weeks had seemed keen to keep the One theory is that with the last details of European

Germany's is striving for a higher than 2 per cent. The strong euro. For a strong other two members, euro" is in fact the election Tomasso Padoa Schioppa campaign slogan of Helmut and Eugenio Domingo Solans, have said nothing about targets, but Mr Solans has described inflation as "the cancer of the economy"

> ■ Norway said yesterday that keeping the krone stable would remain the goal of its monetary policy, even after the euro is launched. usually entailed Norges Bank, the central bank, acting to stop the krone from rising. News that the target would remain in place therefore weakened the krone

minister, said he would not ask the Bank of England to shadow the euro. The two-day meeting of the Bank's monetary policy committee ends today. Only the most outlandish of economists expects a rate rise.

slightly vesterday.

WORLD INTEREST RATES 8.00 4.60 4.50 3.30 3.30 6.75 5.63 3.30 5.00 2.75 1.00 5.00

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من	96.255	96.266	+0.035	95.230	26,240	11,772	64,133
	96.080	96.086	+0.015	96.090	95.090	4,847	36,491
at Table	MONTH EAR	OMARK PUTE		r DMftm po	late of 100%		
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NO.	95.740	95.740	+0.015	95.730	95.715	31976	348730
	ONTH EURÓD	MAK FUTURE	इ (तस्स्र) ह	MASm point	of 100%		
	Open	Set prior	Change	High	Low	Est. vol	Open ist
liny .	-	96.380	+0.010			0	257
April 1	-	96.330	+0.010			0	0
la i	MONTH RUN	OLIBA POTUR	88 (THE).	L1000m po	ints of 100%	•	
	Open	Sett price		High	Low	SAL WA	Open lat.
Juli I	95.350	95,330	-0.020	95.350	95.310	13766	268200
Bep	95.780	95.770	-	95.700	95.750	5919	269463
Dec	95.950	95.980	+0.010	95.870	95,830	5794	107715
	95,720	95.730	+0.010	95.740	95,710	6820	205306
THE	HONTH BUN	SHISS ITA		LIFTO SI	11m points	of 100%	
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-0.0502 152 - 168
-0.123 100 - 900
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-0.026 772 - 210
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-0.0050 745 764
-0.006 100 - 180 2.4176 \$6.4250 6.7332 5.3641 5.3641 1.7648 71.740.85 36.4250 1.4794 1.4794 1.4794 1.4794 1.4794 12.4850 85.6300 6.7682 8.3510 1.3748 306.710 1.4510 12,4152 35,4000 6,7279 6,395 5,9140 1,7634 306,390 1,4174 1731L76 36,400 1,9673 7,3290 160,750 146,880 7,590 1,6586 1,1130 12 1.9 0.8 2.0 2.1 2.1 6.8 0.2 1.9 1.7 1.2 1.1 4.3 -1.4 12.364 36.2456 6.717 5.388 5.6607 1.7557 31.625 1.4255 1.9758 7.3058 1.6758 1.6 12.995 36.3675 6.7266 5.9562 5.9065 1.3617 20.3675 36.3675 1.9654 1.9764 1.9 -07 989 -07 75 13 75 13 100A 15 1007 12 88A 10 82 10 872 10 872 10 872 0,6000 1,1440 1,4385 8,4780 - 988 - 988 -0.0000 - 427 - 440 -0.0011 - 280 - 240 +0.0008 - 170 - 410 0,9998 1,5447 1,4374 8,4780 +0.008 PM = 674 +0.0075 WG = 505 +0.0075 WG = 905 +1 WG = 905 +1 WG = 770 +0.018 WG = 905 +0.014 WG = 100 +0.002 SG = 500 +0.002 SG = 100 +0.003 WG = 1.5054 7,788 1,5022 7,7498 39,7750 3,6596 132,740 1,8255 1,8255 1,8255 1,5140 5,0365 1,5140 5,0365 1,5140 5,0365 1,5704 7,7495 39,7800 3,6973 132,990 1,6325 39,7000 2,7505 1,8130 5,1536 5,1536 5,1536 30,390 30,390 1,040 7,7463 39,7500 3,5866 131,500 3,6587 1,815 38,4000 3,7505 1,8115 5,0030 1990,000 32,9500 36,4500 BEESENTEN BEESE 52 118.4 -8.0 -1.5 -10.8 -0.5 -12 / -7.0 132.16 3.8955 1,6316 38.64 2,7524 1,6173 6,0637 130,675 1,983 1,837 40,639 3,7558 1,6205 5,1605 128,806 4,2003 1,8538 (0,91) 5,7601 1,6336 8,4122 52 -112 -20 -119 -05 -24 -85 -25 -364 53 -9.8 -1.9 -11.0 -1.0 -1.6 -5.2

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Decement.	(SF1) (DK1)	84.10	70	8.791	2,621	1.043	2506	2.954	10.88	268.4	222.7	11.25	2.191	0.884	2.137	1.485	197.1	1.390
France	(FFr)	81.54	11,38	10	2 002	7,186	2541	3,380	12.39	305.3	263.3	12,80	2.493	1.016	2.430	1,589	224.3	1.512
Cornery	(DM)	20.84	3.615	. 3,354	1	0.398	. 986.4	1,127	4,155	TOLA	84.97	4.292	0.836	0.341	0.815	0.567	75.22	0.507
tralesti	(02)	51.87	9.586	8.429	2.613	1	2479	2,822	10,44	27.3.	213.5	10,79	2.101	0.857	2.049	1.424	189.0	1.275
inty	67	2.002	0.387	0.340	0.101	9,040		0.114	0.421	10.35	1614	0.436	U. (1955)	0.035	0.083	0.067	7.625 66.74	0.061
Hetherlands	(FG)	18.31	3.385	2,870	0.867	0.353	675.2	1	3.857	90,86 246,4	75.39 204.5	3,308	0.742	0.303	0.723	0.508	181.0	0.450
Horway		49.67	9.182	8,072	2,407	0.956	. 2374	2,712	10 4,058	100	20C3 82.97	10.33 4.191	2.012	0.820 0.333	1.962	0.553	73.45	
Portugal		20.16	2.720	3.278	0.977	0.389		1.101 1.328	4.890	120.5	100	6.051	0.818 0.964	9.401	0.790	0.553	81.52	0.507
Spain	(24)	24.29	4.490	3.947 7.815	1,177 2,330	0.468 0.927	1161 2298	2,526	9.682	238.8	195.0	10	1.948	0.794	1,890	1.320	175.3	1.182
Sweden	(SXII)	48.09 24.69	8.890 4.584	4.012	1.396	0.627	1180	1.348	4.970	122.5	101.0	5.133	1	0.406	0.975	0.678	#9.97	0.807
Switzerland	(571)	80.54	11.19	9.838	2.933	1.167	2993	1.306	12.19	300.4	249.2	12.50	2.452	1	2.391	1.652	220.6	1,486
UK Çamada		25.32	4.680	4114	1.500	0.488	1210	1.383	5.097	125.5	101.2	5.285	1.020	0.418	1	0.695	2.27	0.622
USA	453 453	36.43	E.733	5.019	1,765	0.702	1741	1,988	7.333	180.7	150.0	7.574	1.475	0.602	1,459	1	132.7	0.895
Japan Japan	(4)	27.44	5.072	4.450	1.330	0.529	1311	1,498	5.524	136.1	113.0	5,708	1.112	0.453	1.084	0.753	100	0.674
	-	40.69	7.521	5.612	1.571	0.784	1945	2,772	1.101	201.9	167.5	8.460	1.648	0.572	1.607	1.117	148.3	1
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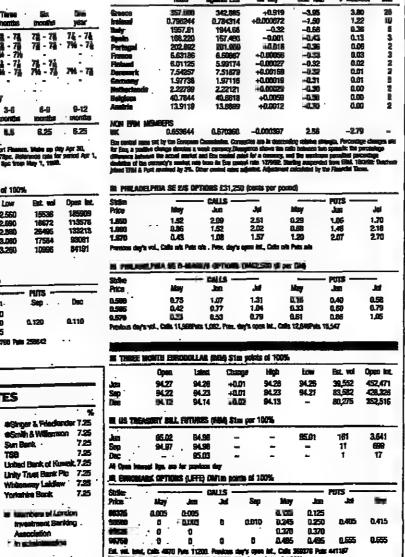
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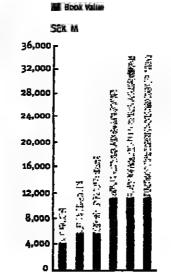
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Interim Report for the Period, January 1 - March 31, 1998

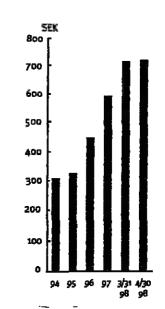
Continued Better than Index

- The value of the portfolio of listed stocks rose by 19 percent during the first three months of the year, while the General index rose by 18 percent. Through April 30 the value of the portfolio had risen by 21 percent, compared with 20 percent for the General Index.
- Net asset value was SEK 722 per share and CPN on March 31, and SEK 730 per share and
- Industrivarden's Class A shares rose by 21 percent during the period January 1 April 30, compared with 20 percent for the General Index.
- Consolidated earnings after financial items totaled SEK 185 M (145) for the first quarter. Of this amount, capital gains on sales of stocks accounted for SEK 162 M (102).

Market Value of Listed Stockportfolio and tridden Reserve



and CPN



AB Industrivarden (publ.), Box 5403, SE-114 84 Stockholm, Sweden Tel. +46-08-666 64 00, Fax +46-08-661 46 28 Internet: www.industrivarden.se E-mail: info@industrivarden.se

Talk of

new cuts

in output

lifts oil

MARKETS REPORT

World oil markets continued

to be driven by speculation

that leading exporters might

soon embark on a new round

of output cuts as part of

their effort to reverse recent

for June delivery - the bell-

wether futures contract on

London's International

The price of Brent Blend

By Robert Corzine

and Gary Mead

price weakness

China to shift pricing responsibility to provinces

By James Kynge in Beijing

China plans to shift the responsibility for setting the state purchase price for prices throughout China, grain from central to provin- said Xu Baiyuan, a cial authorities.

The move signals an ture Ministry's rural econimportant step toward omy research centre. reforming a labyrinthine grain marketing system was the suggestion that proplagued by waste, corruption vincial authorities may, over and inefficiency.

The move was one concrete result of a top-level conference last week chaired by Zhu Rongji, China's new premier, agriculture ministry officials said.

The effects of the reform may be to trigger a decline in state prices, bringing them closer to the free market prices at which roughly 50m tonnes of China's total production of 492m tonnes in

Mining Correspond

per cent stakes.

Both owners of the \$600m

Zaldivar copper mine in

Chile's Atacama desert are

considering selling their 50

Outokumpu, the Finnish

mining and metals group,

responded yesterday to per-

sistent rumours and con-

sibilities" of a sale. However,

"no decisions on a sale have

Placer Dome, the Cana-

dian mining concern, said on

Tuesday that Zaldivar no

strategy as a gold miner and

Tony Warwick-Ching, ana-

wanted to sell. 'It is a lousy

time to sell. The big scram-

couple of years ago," he said.

COMMODITIES PRICES

LUNDON METAL EXCAUNCE

(Prices from Amalgampted Metal Trading)

M ALDERSON, 957 PURITY (5 per loane)

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14125-135

252,992

25,195

BASE METALS

Cione Previous High/low AM Officie Karti close

been made", it said.

firmed it was "exploring pos-

Chilean copper

mine may be sold

cial authorities setting grain purchase prices was likely to lead to a wide divergence of researcher at the Agricul-

Also implicit in the plan time, assume some of the huge financial burden that the central government incurs in subsidising grain purchases, officials said. The state's grain bureaux

(SGBs) are believed to have built up debts of about \$12bn, which are rising at an annual rate of \$2.5bn, partly through the provision of subsidies and partly to provide for the 4.1m people employed in the chronically overstaf-

Zaldivar started produc-

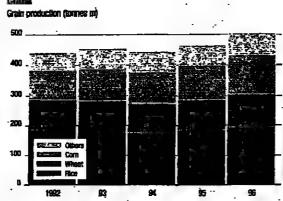
tion in November 1995. The

open pit mine was expected

to produce about 2m tonnes

of copper over its 19-year life

at an average cash cost of



tions of oversupply and fall-

officials said. Above all. China fears unrest and dislocation among a rural population of

- total of the state of the contract of the state of the

Mr Zhu made clear that the country was not shifting to a system of free market prices for all grain sales. as some analysts had predicted before last week's

State purchase prices would be maintained and farmers would be able to sell as much grain as they want to the state, officials quoted Mr Zhu as saying. However, as provincial

authorities assume the financial responsibility for grain subsidies to local farmstate purchase prices nearer to free market levels in order

tinue planting their fields, den, analysts said. This may result in farmers losing out, joint venture partners. they added.

The planned "commercialisation" of the grain distribution system, which is also to come under provincial control, was another attempt to reduce costs, analysts said.

Under this plan, the state grain outlets are to be encouraged to enter side-line businesses, such as restaurants and bakeries, to offset the losses incurred in selling

Later, such grain outlets and other parts of the huge state grain machinery feed mills and other downstream businesses - may be ers, they are expected to fix encouraged to diversify their ownership, officials said.

This could mean selling

No time-scale was given

for the reforms but officials said that most provinces were likely to start fixing their own purchase prices over the next few months. Grain reserves, which are a state secret, are to remain

of the utmost strategic importance, but reforms are scheduled in this area too. The government wants to separate state reserves. which are set aside for emerrencies such as war and

famine, from commercial This will help to stop corrupt officials selling off grain from state reserves when free market prices exceed state prices. Commercial

reduced photosynthesis,

reducing Indonesia's produc-

tion level to a point where

As yet there has been little

impact on prices, which in

recent months "bad been

trading down but, somewhat

in the face of bearish indica-

tors, have recovered slightly

the past month," according

only have big users of natu-

He pointed out that not

"There is a degree of

uncertainty over that stock-

felt later in 1998,

to Mr Hunt.

Petroleum Exchange firmed in late trading to \$14,77 a barrel, up 13 cents on Tuesday's close. Yesterday, the United reserves may in the future Arab Emirates joined the have to be bought at market ranks of oil exporters expressing support for fur-

ther cuts. The official UAE news agency quoted Obaid bin Saif al-Nasseri, the oil minister, as saying he would support additional moves by the Organisation of Petroleum Exporting Countries and other leading exporters to ated may have significantly impeded tapping and

restrain production. Over the past week, oil prices have generally moved in line with speculation supply tightness might be about possible production cuts, although the publication early yesterday of the latest weekly data on US off and refined product stocks helped push prices to an intraday low of \$14.45 a har-

rel in earlier trading. Figures published from the Department of Energy in Washington showed a big. 3.2m barrel rise in US crade stocks, aithough the American Petroleum Institute estimated the increase at only

700.000 barrels. Strong investment fund buving saw cocoa futures on the London international Financial Futures Exchange climb to five-month highs yesterday, the July contract finishing at £1,122 a tonne, £29 above the previous day's close. Traders said the buying was all speculative-led.

40.0

Officials said Mr Zhu also ing above market prices to called for deep cuts in SGB farmers. This is deemed necpersonnel but did not give

essary in the current condi-The level of subsidy costs ing free market grain prices has been sustained by pay- to encourage farmers to con- to reduce their subsidy bur- equity to the the private sec- prices, analysts said.

Demand for elastomers up by 6% World elastomer production and stocks and the smoke haze they cre-

demand and synthetic rubber - grew by 6 per cent in 1997, according to figures published by the International Rubber

\$1,146 a tonne. Copper cathodes are produced by the solvent extraction-electrowinning technology in a plant with an annual capacity of 125,000. The mine suffered a num ber of start up problems and its costs have been higher than forecast.

Precious Metals continued

-1.0 304.9 300.7 22.967 86.953 -1.0 307.6 302.8 1,012 10,035 -1.0 307.6 302.8 1,012 10,035 -1.0 307.0 308.0 12 8.257 -1.1 31.1 308.0 915 10,077 -1.1 308.0 915 10,077 -1.1 308.0 309.0 9 8.999 34,988 173,878

M BOLD COMEX (100 Troy 02.: Silvoy 02.)

PLATHEM NYMEX (50 Troy 62.: S'troy 62.)

Last year it produced 96,219 tonnes of copper at a cash cost of \$1,344 a tonne longer fitted its long-term and total costs of \$1,895. Last night on the London Metal it was considering selling its Exchange copper was \$1,836 a tonne

Placer said Zaldivar's outlyst at Flemings Global Minput is scheduled to increase ing Group, said it was "estonishing" both partners this year to 110,000 tonnes of cathode copper and 12,700 tonnes of copper in concentrate, an intermediate mateble for copper assets ended a rial, for a total of 122,700

elastomers - both natural Study Group.

The IRSG said the incre was a record for the third successive year but added that production levels stagnated and world stocks fell. Other analysts estimated the growth in demand was slightly less than 4 per cent. However, there is a consensus that the big western tyre manufacturers have been building stocks in anticipation of possible civil unrest in Indonesia, one of the world's biggest producers of

"Singapore natural rubber traders are certain that some of those tyre producers which are heavily reliant on Indonesian rubber, such as Goodyear, have been stockpiling in recent months," said one analyst yesterday.

GRAINS AND DIL SEEDS

78.75 +0.15 78.75 75.76 78.75 -0.45 78.85 77.75 78.75 +0.45 78.10 78.10 78.75 +0.41 78.40 78.10 80.75 +0.45 80.25 80.10

305.00 +7.00 305.00 300.00 2,847 2,851 315.00 +7.00 317.50 309.00 20,224 71,990 324.25 +6.50 328.60 320.50 1,878 15,226 338.50 +7.00 340.00 322,00 1,706 22,815 349.80 +7.50 350.00 344.00 70 3,838

WHEAT OF SUCCESSION

MEST LEFE (100) WHERE I OUT TOWN

natural rubber.

Total global elastomer production (natural and synthetic rubber) is now estimated by the IRSG to be above 16.5m tonnes, while stocks have fallen to below 16m tonnes.

Global consumption in 1997 is put at 16.7m tonnes, with the prospect for 1998 being for little or no growth as a result of the economic slowdown in east Asia.

However, it is now clear that growth in production of natural rubber alone was last year almost stagnant, as the world's three main natural producers - Indonesia, Malaysia and Thailand were badly hit by currency crises and economic turmoil. Malaysia's production appears to have been the

worst affected and registered

a drop of 10 per cent, accord-

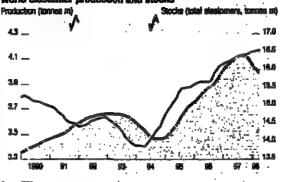
ing to Tim Hunt, analyst

with commodity specialists LMC International. "Malaysia's particularly sharp decline was partly because the country did not

240 1,944 155

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+27 +28 +25 +25 +25 +23 +23 1100 1122 1140 1158 1176 1180



much as Thailand and interrupted, some traders increased by about 5.3 per cent, he added, but "the jury is still out on Indonesia's production for 1997".

and consumers are becoming concerned at the possibility that the current civil unrest in Indonesia may worsen.

1096 1077 110 1,594 1122 1097 5,500 29,164 1139 1119 800 22,076 1157 1135 700 32,056 1177 1157 87 38,376

1723 +24 1724 1890 17 828 1721 +28 1725 1864 2,61 25,857 1737 +24 1740 1701 574 12,367 1765 +27 1786 1728 248 18,077

117 311,370 89 13,126

rai rubber been building Indonesia," said Mr Hunt. have in recent days reported stocks, but there is still the Thailand's production tightness in supply from threat of the Thai government natural rubber stocknorth Sumatra, one of Indonesia's biggest rubber-growpile overhanging the market. ing regions, where the city of Medan - an important now estimated to be as much as 100,000 tonnes. Natural rubber traders commodity-dealing centre for rubber and palm oil pile. However, there is now has this weak been the scene

of riots. On top of fears of current Although shipments of social unrest, traders have

MEAT AND LIVESTOCK

IN LINE CATTLE CAR MOUNTER: SHOWING

IN PRISE BOLLES CAE (41) MINISTER CONTRACT

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

M. CRISIDE CEL FOB (per barrel)

OL PRODUCTS MWF on

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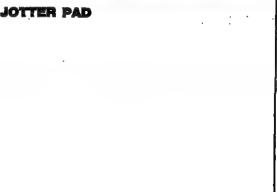
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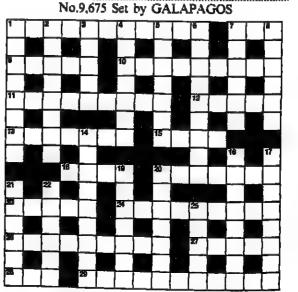
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69.305 -0.125 69.475 69.150 1,224
70.100 -0.125 70.275 70.025 157
71.073 -0.225 71.275 71.050 123
72.076 -0.125 72.175 72.680 387

61,050 -0.200 61,850 60,825 3,436 14,014 60,600 -0.306 61,400 60,700 1,840 6,853 58,000 -0.440 58,900 38,200 862 4,453 53,975 -0.225 54,300 53,880 302 3,554

market talk that the rubber has begun to deteriorate because of poor warehousdevalue its currency as rubber have not yet been also expressed anxiety that ing," said one analyst.



CROSSWORD



ACROSS 1 Promote savage cut in points for Roman offices (11)

7 Cover without a bed (3) 9 Poet's anger about monarch (5) 10 Present day clothing points to one taking delivery (9) 11 Crusading Scotsman in charge following disorder

12 Precious toddler's first squeaky utterance (5)

13 Quantity of paper accepted by the German idealist (7)

15 Move quickly to get most of exchange return (4)

18 Cut fancy charge. 18 Cut fancy stuff in guitar

piece (4) 20 Gets extremely wet (7) 23 Ceremony on square is of little significance (5) 24 Breaking faith, attempt to take in every monarch (9)

abandoned sex with Olive: it's shocking (9) 27 Permit father to rear one animal (5) Fix match (3)

29 Use things artifully to measure without inspection

1 Drips may construct won-derful buildings (8) 2 Joined press chief after silent revolution (8)

Priest takes me back to get oily stuff (5) Horseman shows hesitation after the first fall (7)

5 Dictator owing money has less substance (7) 6 Protected trees held to be in a bad way (9) 7 Knocked out business and took off (6)

8 You and I accepted by twenty-six twenty-six with unknown number (6) 14 Devastating rumours broadcast about press 16 Provoke hostility of strange

goddess (8) 17 Old countryman says rain is blustery (8)

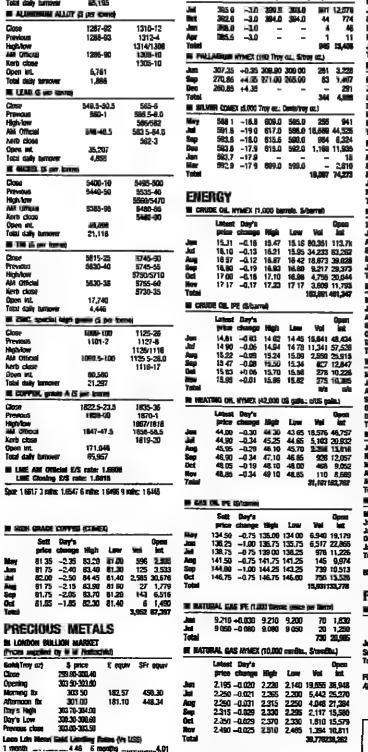
19 The first six Tintagel characters producing lace (7)
20 Oddly, porter dispatched

gift (7)
21 Confirm old volunteers return to trial (6) 22 The Spanish politician is returned without difficulty

26 There's little money in 25 Acknowledge credit before

summit (5) Solution 9,674





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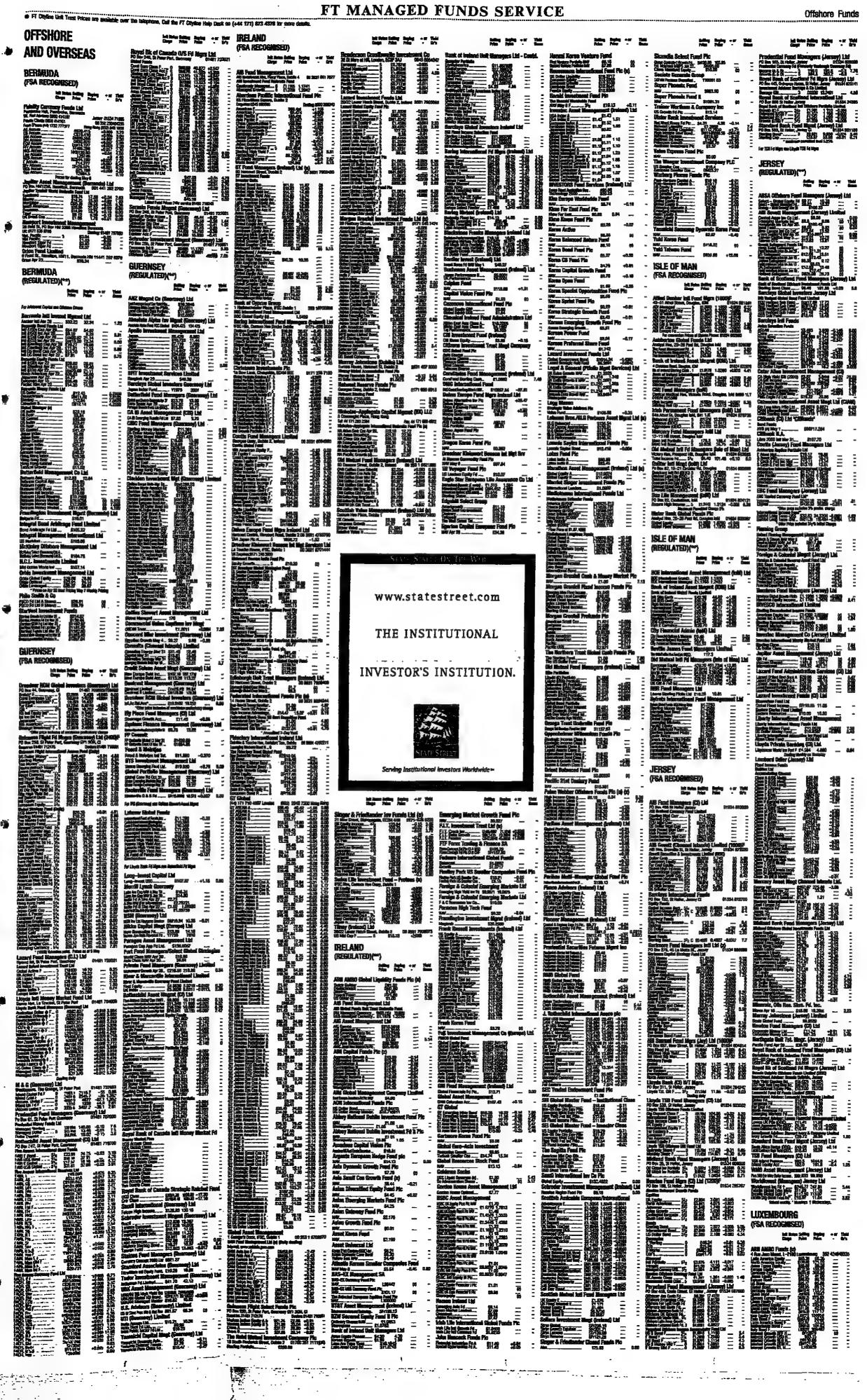
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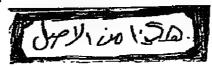
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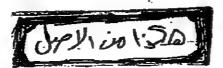
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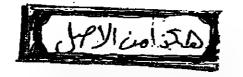


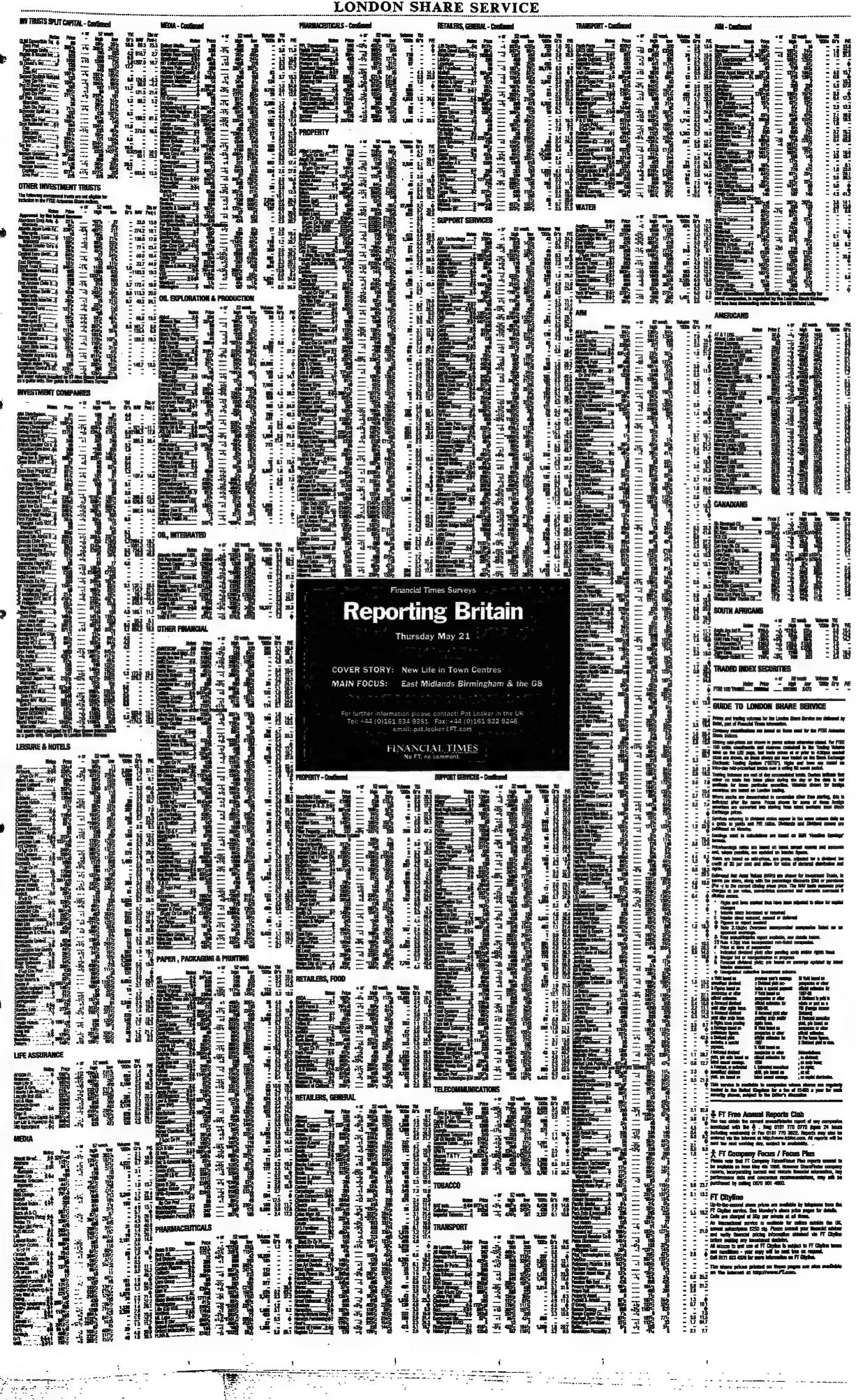
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Footsie scrambles into black after late glitch

MARKET REPORT By Steve Thompson, UK Stock Market Editor

The focus of the UK equity market's attention remained day with the leaders languishing through much of picked up during the final minutes of trading.

A late calculation of the FTSE 100 saw the index finish a net 5.9 higher at 5,992.4. Only a minute before the their sequence of record closofficial 4.30pm close the ing and intra-day records.

been caused by a "technical glitch", the final FTSE 100 figure was announced

The front-line stocks were firmly on the second-liners never really pressured, that any selling was on a naily moving ahead to hit and small cap issues vester- rather they were simply ignored by the institutions, which preferred to seek out the session, although they value in the FISE 250 and SmallCap arenas.

But there was genuine good demand for the stocks making up the junior indices, both of which continued

worrying performances from day record of 5,706.5. Wall Street and the Asian markets, but a quick glance ered a mirror image of the back burners over recent at turnover levels shows 250 index performance, grad-

very small scale," the dealer new intra-day and closing peaks, and finishing a net 10.8 ahead at 2,676.1. 100 areas accounted for 62 per cent of overall business, where the total reached 860m shares by the 6pm cutoff point.

The FTSE 250 index bets. extended its run of good per-formances, ending the day up 23.1 and penetrating the points on Tuesday evening.

Wall Street's Dow Jones over 2 per cent lower. Hong Kong fell back, but not as up 23.1 and penetrating the

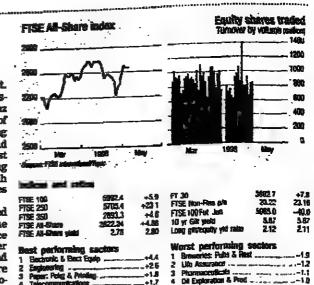
worries that most traders The FTSE SmallCap deliv-

renewed pressure vesterday. sliding around 40 points not long after London finished Sentiment in the leaders trading for the day.

Adding to dealers' worries was hampered from the outwas a generally poor show-ing by Asian stock markets, set by worryingly weak per-formances from Wall Street and most of the Asian marwhere Tokyo prompted plenty of jitters, finishing

black. After a delay of over "unhappy but never totally 5,700 level in the process, finbalf an hour, said by the dejected" as one dealer put ishing at 5,705.4 At its best it. "We were unsettled by the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." We were unsettled by the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. "We were unsettled by the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait." The second of the interest rate is the 250 index hit an intrait. The second of the interest rate is the 250 index hit an intrait. The second of the interest rate is the 250 index hit and interest rate is the 250 index hi of Germany and Chrysler of had tended to shift to the the US was a major talking point in the market and induced some keen interest The Dow came under in many motor/engineering stocks, among them British Aerospace, Smiths Industries

and GEC. Other bull points included a welcome return to the FTSE 100 outperformance table by J Sainsbury, after warmly received results, and persistent talk that more marger and acquisition stories are about to burst on



Dutch prospect for EMI

COMPANIES REPORT By Peter John and Martin Brice

EMI was flat as Philips, the Dutch electronics group, bilities in the group's way.

Philips said it was "evaluating various strategic 75 per cent stake in Poly-Gram, the music and film group. It was assumed by the market that Philips meant to dispose of part or all of its stake in PolyGram in order to concentrate on the growing consumer electronics area.

The downside for EMI is that the suggested US suitors - Seagram, Walt Disney and Kirk Kerkorian, the US corporate raider, might be tempted away.

However, there is also the prospect that EMI might consider a link-up with Poly-Gram. One analyst said the fit between the two companies was "almost too good". He said there were huge amounts of overlap that would invite regulatory restraint but also provide immense scope for costcutting. The shares ended the day 2 higher at 590p.

Pilkington was one of the better performers in the FTSE 250 as the stock hene-

Glassmaker Saint Gobain of France said first-quarter sales rose 13 per cent, while price rises for float glass were sticking. The weakening of sterling against the D-Mark also helped Pilkington, which has 14 per cent of

sales in the UK. the US of its French and Italian glass operations to Glaverbel of Belgium signalled sector consolidation.

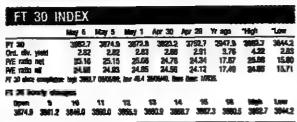
Mike Betts, building indus-Sachs, said: "We estimate the top three companies in Europe will now control 83 per cent of float glass manu-

in mind the current shortage of capacity this should lead to more stability in pricing. Pilkington shares rose 4% to 136½p.

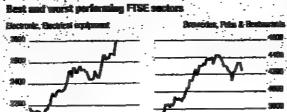
The Daimler-Benz/Chrysler merger talks injected plenty of enthusiasm into the engineering/aerospace Thirdly, the sale by PPG of sectors, as rumours spread of further restructuring in the related industries. Smiths Industries raced

up 66 to 965p, GEC 31 to 521p and British Aerospace 29% try analyst at Goldman to 532%p. Turnover in all three stocks was well above usual levels of activity. Legal & General fell more

than 2 per cent as a couple options" with respect to its facturing capacity. Bearing of brokers turned the spot-



	May 6	May 5	May 1	10:38	Apr 29	Yr ago
ISAO bargains	62,121	63.152	61.517	87,925	56,191	53,12
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naity bargains)	-		53.681	48,570	49,477	47,60
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racionaint turnover (Em)	27.7	88.5	31.6	33.4	17.4	4/
racispoint sine tradeci	7.578	15.218	8,018	7.266	5,395	1,25



light on the life sector. HSBC has removed its straight "buy" from Legal and highlighted its cautious stance on the sector for two rea-

First, it points out that the sector tracks sterling's performance against the D-Mark pretty closely and sterling Second, the shift in ster-

ling has seen a move from financials to exporters, which started with the mortgage lenders and is starting to impact on the lifes. Goldman Sachs added to

HSBC's caution with a big sector review, which updated its nervous outlook and its feeling that "valuations remain expensive in spite of recent corrections". Legal fell 16 to 722p, Prudential 13 to 842p, Norwich Union 5 to 439p and Sun Life

woes among the life stocks are nothing compared with the black hole faced by the composites. "I have never felt so confident that the game is up. The earnings will not support these share prices," he said. He expects

some stark shocks when

cial Union and General Accident announce figures next week. CU fell 28 yesterday and GenAce 23 to £14.25 Alljance & Leicester extended earlier gains as the market gave a warm recep-

soon-to-be merged Commer-

tion to the company's annual meeting statement. The shares gained 29% to 862p but Halifax and Woolwich were comparatively flat, rising 4 to 786p, and

slipping 1% to 333p. Schroders said Alliance looked cheap relative to the sector after recent falls and reiterated its positive stance. HSBC Securities reinforced its "add" recommendation.

The former building society said first-quarter lending in 1996 had been "very close to its natural market share". The company's shares fell & Provincial 3 to 589p.

6.5 per cent on Tuesday on nervousness ahead of the Crédit Lyonnais believes the evening annual meeting, following reports of tough market conditions from two other former mutual societies in previous weeks.

Tate & Lyle sours

Tate & Lyle fell 24 to 400p on reduced first-balf profits, and a warning of full-year results "substantially" below those fur 1947

The company said secondquarter gains in US high fruciose com syrup were offset by delays in plant commissioning and a one-off setease and the strength of the pound also affected the firsthalf performance.

J Sainsbury bucked the decline in the FTSE 100 to strike an advance of 22% to 502%p as strong results from the retailer suggested it might be fighting back in

the battle for market share. The results came in at £728m, against a consensus forecast of about £723m. helping the shares to achieve one of the best performances in the Footsie. Sentiment in the shares was also helped by an announcement that Sainsbury's Bank would move into profit in the current year.

Sainsbury's co-broker, ARN Amro, shaved forecasts for the full year from 2820m to F810m.

Asda lost 5 to 191%p with 12m traded although Tesco

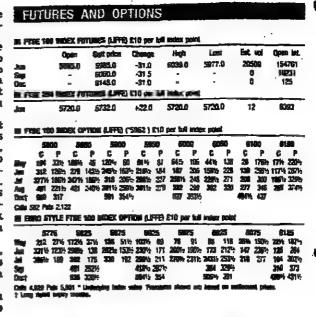
was up 6 to 573p. N Brown firmed to 384p after the catalogue company announced profits up from 237m to 241m but said the outlook for consumer spendresults prompted analysts to take about 18m off forecasts for this year, bringing the expected figure to £41m.

The company is still expected to seek expansion by acquiring Freemans from Sears, unchanged at 610. N Brown offered to buy Free mans last year but could not agree a price. Avis Europe rose 4 to 240p

as it continued to benefit from recent strong results. Kyte Securities issued a buy note on the stock with a 275p price target. BTP added 29 to 475p 8

investors continued to respond to the chemical company's link with Pfizar's Viagra impotence drug. AB Ports saw busy trade

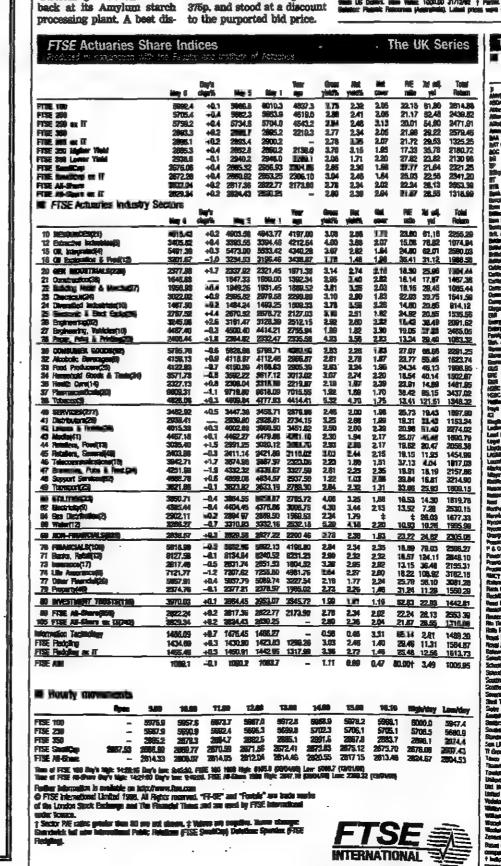
of 1.9m as a story went the rounds that a bid was being lined up at 420p a share, although traders pointed out that the stock was up 17 to



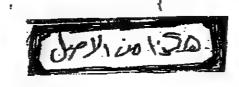
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All of these Securities have been sold. This announcement appears as a matter of record only. The Securities have not been registered under the Securities Act of 1983 and may not be affered or sold within the United States escept as permitted under the Securities Act of 1938 and applicable state securities laws. U.S. \$1,044,943,820 Bangkok Bank Public Company Limited 440,000,000 Ordinary Shares (Par Value Baht 10 Per Share) Price: Bt 93 a Share MORGAN STANLEY DEAN WITTER ABN AMRO ROTHSCHILD DEUTSCHE BANK AG LONDON J.P. MORGAN SECURITIES LTD SG SECURITIES ASIA FINANCIAL HSBC INVESTMENT BANKING JARDINE FLEMING MERRILL LYNCH & CO. NOMURA SECURITIES







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	Australia (73)	.209.10 .238.16	-0.9 -0.4	188.84 211.02	174,13 198,66	192,72 217,66	216.94 217.52	-0.5 -0.9	3.58 1.51	211.08 237.14	187.86 211.05	177.71 199.68	195.49 219.63	217.97 219.50	243.87 237.14	190.26 181,47	227.77 181.47
	Austria (29)	334,50	-0.3	298.89	278.55	308.29	301.57	-8.9	2.40	335.66	298.74	282.60	310.88	304.29	335.66	234.33	243.64
	Brazil (26)	.254,47 .246,05	8.0 8.0-	227.38 219.86	211.91 204.89	· 234.53 228.77	538.13 256.51	0.7 -0.1	1.84 1.58	252.91 247.05	225.09 219.88	212.98 208.06	234.24 228.81	532.61 258.64	322.44 248.78	184,94 196,63	246.06 198.23
	Conside (120)	499.51	-2.8	446.33	415.96	480,37	459.31	-3.3	1.32	513.73	457.22	432.52	475.81	474,93	521.81	361.59	361.69
	Clarke of CO1	.445.87	-03	398.23	371,13	410.76	503.88	-0.7	1,78	446.97	397.80	376.31	413.98	507.48	446.97 315.12	260.94 213.42	260.54 219.19
	France (75)	.\$15.05 .284.06	0.0 -1.1	251.51 253.62	262.35 238.55	290.36 261.81	293.73 261.81	-0.5 -1.5	2.00 1.26	315.12 287.10	280.48 255.51	265.31 241.71	291.86 265.90	295.27 265.90	290.93	204.62	204.52
	Control (Co)	298.78	21	286.99	248.82	275.38	657.77	1.3	1.41	292.58	260.39	346.32	270.98	649.25	298.79	290.70	
	Home Your Phine 855	307.71	-2.7 -2.3	274.96 42.40	256.24 39.52	283.80 49.74	206.13 235.80	-27 -23	5.19 3.00	316.17 48.58	281.39 43.24	266.19 40.90	292.83 45.00	314 <u>.52</u> 241,42		262.93 27.57	478.23 227.17
	minnesia (2/)	.555.95	0.4	496,77	462.96	51239	552.42	-0.1	1.76	533.65	492.74	466.12	512.78	553,02	560.44	333.B5	333.65
	trebati (16)	.185.45	-0.6	147.84	137,78	152.49	218.10	-12	1.23	168.51	148.19	140.18	154.21	218.67	177.15	86.93	38.28
. ;	Janes (480)	<u>96.97</u> .181,49	1.1 -3.8	86.11 162.17	80.25 151.14	38.82 167.27	80.25 257.58	Q.D -3.1	0.99 2.68	95.32 188.27	84.83 167.56	80.25 158.51	88.28 174.37	89.25 265.75	147.32 545.87	88.52 113.56	118.84 538.21
	Malaysia (107)	682.31	g.D	1503.23	1409.93	1650.51	15589.42	0.0	1.48	1682.31	1497.24	1416.35	1558.12	15589.42	1901.98	1351.65	1352.52
	Memeriands (19)	.513.94	-1.5	498.23	427,98 59,74	473.57	468.45	-20	1.97	521.95	484.54	439.44	483.42 69.38	478.22 68.78	521.95 98.47	356.18 71,49	358.10 85.44
	New Zeeland (14)	71.74 .354.66	0.1	64,10 316,91 -	295.34	. 66.12 -326.67	69.11 354.33	0.5 -0.1	4.72	71.67 353.32	63.79 314.45	60.34 297.46	327.23	354.67	374.64	281.62	296.39
	Originals (22)	_98.13	2.0	87.£9	. 81.72	90.44	192.07	1.5	1,09	96.22	85,64	81.01	89.12	189.17	173.10	57.54	164.31
	Produced (18)	295.44	-1.3 -1.2	263,99 185,02	246.02 172.43	272.29 190.84	365.99 151.08	-1.9 -1.0	1,03 1,96	299.39 209.53	266 45	252.06 176.40	277.28 194.06	374,18 152,64	299.39 401.75	290.70 144.01	374.58
	SECURITY LANGUAGE CONTRACTOR CONT	.207.07 .330.23	-24	295.08	275.00	304.38	305.05	-25	244 -	338.23	186.48 301.03	284.76	313.26	374.33	365.52	227.86	364.29
		383.28	-1.7	342.48	319,18	353.25	435.94	-24	1,75	390.02	347.12	329.35	361.23	447.AB	396.68	234.90	234.90
	Company (400)	.588.90	0.4	535,15 363,39	496.73 338.66	551.98 374.82	675.96 374.08	-0.4 -0.4	1.73	\$96.30 406.80	530.70 362:05	502.03 342.49	SS2.28 376.77	678.83 375.70	610.82 406.80	424.76 275.03	424.78 275.03
	Suizeriard (30)	,4215.158 26.04	0.0 0.3	23.27	21.58	24.00	38.86	0.0	1.08 8.03	25.97	23.12	21.87	24.06	38.86	75.68	13.10	75.68
	Theilend (39)	390.58	-0.6	349.01	325.26	359.98	349.01	0.2	2.81	393.05	349.81	338.91	364.03	349.81	401.84	286.56	286.56
	USA (635)	.458,07	-0.6	407.52	379.79	420.34	458.07	-0.8	1.41	458.63	408.18	386.12	424.77	458.63	462.18	330,33	338,17
		413,40	-0.5	369.38	344.26	381.01	349.26	-0.5	1,42	415.62	369.90	349,91	384.94	351.08	418.95	302.07	307.12
	Furner (748)	359.55	-8.6	321.29	299.42	331.38	337.20	-0.8	1.99	361.78	321.98	304.59	335.67	340.13	363.50	250.33	250.33
	Nordic (149)	,527.20 ,105.78	-0.2 0.4	471.08 94.50	439,02 88,07	485.89 97.48	574,39 88.61	. - 0.9	1.68 1.67	528,19 105,31	470.09 93.72	444.69 28.66	488.20 97.53	529.06 89.13	533.80 158.99	369.09 95.32	389.09 137.86
	Pacific Basin (870)	. NO.75 211.55	-0.3	189.03	178,17	194.97	182.41	-0.7	1.90	212.21	188.87	178.66	196.55	183.69	218.04	172.03	184.75
		442.72	-0.6	395.59	368.67	408.83	442.68	-0.5	1.41	445.17	396.20	374.79	412.31	445.06	448.61	322.13	327.89
4	Europe Ex. UK (540)	332.57	-0.6 -1.8	297.18 171.40	278.94 159.74	306.51 176.79	321,37 192,77	-1.1 -1.6	1.57 4.03	334.61 195.36	297.80	281.71	309.91 180.94	325.07 195.84	334.61 318.98	225.17 161,31	225.17 298.72
	GCER CY Tolken (Nava)	.191.52 .215.71	-0.3	192.74	179.63	196.81	190.14	-0.7	1.68	216.43	173.87 192.62	154.47 182.21	200.45	191.42	220.18	175.30	188,42
	World St. 15 (2263)	283.95	-0.4	253,72	- 236,46	261,70	· 258.72	-0.7	1,50	- 285 ,16	253.79	240.08	264.11	260.43	287.02	230.63	230.68
	World Ex. Japan (1991)	390.74	0.5	349.15	325.39	36D.13	382.94	-0.7	, 1.71	363.18	349.92	331.02	364.15	385.56	394,39	293.76	295.06
		<u> 292.98</u>	-0.5	261.79	243.97	270,02	266.87	-0,6	1.54	.294.29	261.92	247.77	ZT2.51	268.51	296.57	235,48	235.48
	The World Index (2471)	Şaçin adl Quantini	Co. and She studing Compl	and & Press when 171 to 2	1990. Ali Ages NCINS TANKI I	s returned. "F ad Minasia S	(EEF Actoria EE) (EE)	' in a joint f	Missesk of The	Annoni An	اد اعتمارا د	Seeind & Pr	er's Colonia	1917 ESWAL	\$ 100 GRE	7/5/0è Djij	ter Person
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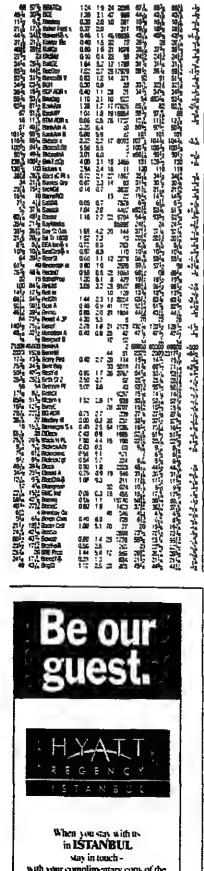
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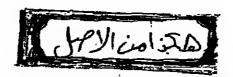
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Gest Jesses	5	May May	1998 Mgh Lor	Shice co		-	I SELMILA						<i>-</i> .				Many 6	Mary M	lay 19: 4 High		Since compilete Ligh Lo			Nay May 6 5	May 19 4 High		ince compilation (gh Lów
indestribit House Bonds	9147.57 9196 104.51 104	172 TOLS6	HV51	10.42 9192,66 (9/1) (45/96) 14.51 105.48	(8/7/30)		Me i	ing 4 May 1	HYSE Been Trad	May 5 at 3,496	3,487	. 1921 May 1 - 1 19482 1911	ii.	Δ	_	Markon 2/5 Day'n blyk 155	15243,84 198,86, Day'n da	je) s: 15129.07.	(A) 1789434	14864.44	38915,9	25.25 CAC 40 Day's his	-	47,45 3944.91 39 Hrs for 3523.45	74.25 3986.7 5	2882.54	1006.75 994.51
Transport		.19 3485.42	(15/1) 3986.02 319	(6/5) (15/1/98) (4/36 3686,82	(1/10/81)	MIGE			90 Rises Palis, 23 Unchanged	2,496 1,108 1,817 571	490	1,031 / 1,952 \$14 529	,	/ La		E TOWN IN		17			case : 346,886		TEADING.	ACTIVITY	₩ 816025	Volu 7 MOVERS	ma : 415,194,488
(jalice	284,70 284	.13 283.56	291.18 36	(9/1) (15/4/98) 2.66 281.18 (9/1) (2/4/98)	16.53			777 75 776 1	Hew Highs 55 Hew Lones	91 25	21	108 17 905		<i></i>		Wednesday		Rose (kg/s picz change	Wednesday	Close price	Dey's Da		tay Steet		ge	Citate prise	cymando cydio yr
gy led. Cay's to Nay's bigh 2191 Shaidhed and	194 1251 85 (831 1.5 11.14 (8381.91) Leve Pences	8) Low 9062.5 9104.47 (2145)	MINER OF		- Maritagi	a active	RADING ACTIV	01Y	2	Volu	m= : 583,634				٠	Salesca Jok Militaran Mar	8,388,000 5,573,000	211 -3 414 -25 407 -7	Omitchi Cass Delichi Ht Descripti Ht	180 280 250	+20 +	1.4 listnor 1.3 Restouti 1.2 Re_Poste		825 396.5 +18 977 310 +4	5 CS (C.Sign)	1100 430 d 186	+63.6 +15.3 +21 +14.5
Composite)	1115.50 1122	1121. 00	(22/4)	7.89 1130.64 (9/1) (22/4/98)			todad	Close Day's price change 30% +30	Tuesday	Citose price	Day's I change ch	po % 890	<u></u> ق	0-1 4-5		Toublin (p Mitshi iny Stomo Mit ind	4,806,000 4,567,000	m3 egn +8 z11 -10	Downs Goldenia Yatagi Co	128 215	# 30 −1	4.3 Aleskyl / 2.2 Arg-186	979,3 915,1	38 1169 → 61 738 ↔	Alpha Mos Ummi	128.5	+14.5 +12.9
hduskriah y Fanacial ∀	1301.90 1308	.38 1304.55 .83 138.39	(22/4)	7.40 1311.48 (901) (22/4/88) DUG 149.28		Candre Enron	8,743,100 8,725,000	246 -# 246 -# 524 +25 39% +14	Handison Cash Am Minga II	er 18% = 22%	+1% 4	12.6 11.3 48.8	Apdi	1998 M	,	Pojiteu Acid Cp Hilachi	4,026,000 3,941,000	536 -19 79 -8 941 +19	Tire Alls Solyu Taksus Sic	190 282 251	-25 -1 ■8 -1	1.8 Fr. Yelect 0.5 Paugect 0.4 Michelia	724,8 658,9	02: 1112 +4 07 525	CAIC ECIA	361 1787 144	-38 -85 -183 -83 -14 -89
Officers MSSE Comp.	579,75 582		(14/4)	(9/1) (14/4/98)	(V9/74)		4,953,700	201 +1 231 -1	Doorts Fason	34% 19 <u>4</u>	-14	-8.7	SE Entroto	p 380		GERM		54 -50				UK		76 373 <u>-</u> 6.			
Amex Comp	745.28 748		(204) (758.57 64	7.47 585.62 (971) (22/4/50) (6.41 753.67	524.28	Pilzer Telebras Lucaq(I(d)	4,138,200	111%	Nogtum DeneyFin Aerik	194 128 334 134	-14 1	-8.4 GT -5.3 G	i. Ç	Λ			6	Nacy M	ky 196 4 Migh		Since translate High Lo			6 II	19 بطلا طوالا 4	AA S	ince compilation ligh Linu
MASSAO Crop	1864,91 1878	.BG 1873 44	1917.61 1503	(2/1) (22/4/98) 3.22 1917.61 5/1) (22/4/98)	(18/7/98) 54.87 (3/10/74)		TRAINE AL	THATY	<u>-</u>		275,5 78	000		/ ×			9.92. Day's look		5 542.00	4087.28			in: 80000 Day	992.4 5986.5 /6 lowr 5947.A.	(2) 61 65.00		6105.B 966.9
Respiret 2000	481.74 485	AS 484.94	491.A1 WH	(III) 451.41 2/1) (21/4/98)	123.36	Tuesday	Stocks	Clase Day's price change	M. GIGG	Cines price	Dey's Di	120			— <u>``</u>	M ASTRE ST	TRACOS A	CONTA	W BIGGEST		ENG : 13,612.	M ACT	TRADE	AGIORY	S BIOGES	f Minners	me : (552,800,600)
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		May 1	Apr 24	Apr 17 Y	feer acc	WirigCon DeliCrop Guacia Intel	10,964,500	254	Closureki Closureki Downs	27% 114	+396	0.6 0.6			7	Dest Tito Dest Back	763,680 45 583,777 106	85 +0.05 186 +1.86 7.95 +3.95	WINE Mt Pr Debates - Bro	120 1979	+25 +1 +8.9 +4 +13.2 +3	Lin gap Lin Assis Gap	15,200	190 77 +31 320 1923: -47	Schol	4% 2% 448%	+1 +26.7 +25 +680+ +18.0
Dow Jones In	al. Div. Yield	1.54 Apr. 28	1.53	1.53	1.73 Ver see	CiscoSys Carpens(C) Conyels	7,877,000 8,447,200	23% -% 23% -14 45% -9% 10% +4	Bit FisCo	15% 42% 27%	-5%1 -3	5.0 710 11.7 4.0 8.8	Am	0 1 4 5 1999 M	W	Bayer Veks Hoschst	469,506 71 432,740 12 427,858 66	5.8 -1.1 9.3 -0.8 9.9 -2,4	Moneri Downs KSM Ingbel Vizale (Cinta	82.1 17.8		7 BTR	9,997, 9,962,	310 449 ~31 545 2041: +49 988 788 +4	ACI Spense Token (kb)	18714 7814	+25 +18.4 F136 F15 -66 -16.4
B&P bod. Do S&P bod. Pri	E ratio	1.35 30.29	1.29 IT.13	1.26	1,75 22,89	Vision		ที่จี เรี	OAD .	ni	-14 -	64 (34)	FRANK 40°C	the state of the s	1	BASF Caranghenia Litherer (NK)	364,797 (8	8.3 -0.9 8.6 -0.7 25 -4.05	Einheit jill P Motous Text	25	-2 -1		8,782,	B32 189% ···	Mighton La	367: 50% 26	-8 F13.7 -3% -11.8
MIDEX	FUTURE	Sett on	Civen	06	ich	Linu	Set wel	Orașe let	-	-	Steen	Sett/rice	Casana	Hot		Low	Ed. yol	Oneq int.		_	Oyes	Sett Price	Change	High	Limi	Est. vol.	Queen int.
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50 In 1804 32		Sett pri	a Charg		agh_	1135.30 Low	BK #4	12,482 Open int.	Den Die Dale		3905.D 5225.0	\$250.0	+39.0			3905.0 5187.0	598	18,877	N HOWER		762.50	767.00	+8.60	769.50	761.75	130	17,844
Sep Open lelevest lig	15420.0 15290.6 pres lar previous de	15170 15180 v.		1.0 1542 1.0 1638		15080.0 15100.0	29,476 18	195,508 115,611	Jan Sap		8277.0	8295.0	1115			8256.Q	27,500 88	17,378	Jup Jup		7579.0 7541.0	7593,0 7575.5	+28.0	7645.0 7589.0	7520.0 7541.0	5, 376 117	23,753 588
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STOCKOMARKETS

Strikes and unrest slow Asian recovery

WORLD OVERVIEW

Sharp falls in Asian markets yesterday seemed to have wiped out any remaining hopes for a V-shaped recovery in the region, writes Evniko Terazono.

Jakarta, stricken by student protests, fell nearly 5 per cent, dragging down Kuala Lumpur with it, while Seoul, plagued by the possibility of labour strikes, lost 3.9 per cent, hitting a new

was hit by worries over Jananese corporate exposure to

Indonesia is 25 per cent below its high for the year, seen in February, while Malaysian shares are 22 per cent below their 1998 peaks. Do the recent declines in and should investors be buying in the hope of long-term growth?

From an earnings perspec-

investors bailed out. Tokyo depressed for far longer than nomic turmoil, while export ening dollar in some believes, says BT Alex "[Asian] markets may look cheap, but for a reason."

Consumption is expected negative wealth effect of the fall in share prices, while the rise in real interest rates is proving to be a high hurdle for investment.

The IMF restricts governents from spending them-

the consensus currently growth, which was hoped to Brown. The broker said: not come. At the same time, hanks have been unable to lend to manufacturers and devaluation has burt exportto remain weak owing to the ers who need to import materials.

> Daimler-Benz and Chrysler were in the up talks. Merger cautious over US share hopes offset worries over a

makers, including Volkswagen and BMW, rallied. Milan softened, but Fiat gained more than 7 per cent.

Analysts are increasingly prices. "Stocks have risen faster than earnings since

way," points out J.P. Mor-Frankfurt edged higher gan. In 1995, after a rally in thanks to an 8.4 per cent rise bonds and three years of for Daimler, while other car- strong earnings growth, environment has changed since then.

For stocks to gain substan Europe yesterday was The rally in car stocks tial ground in 1998, bond dominated by news that extended to Wall Street. yields need to fall dramatically and corporate earnings will need to grow sharply. "We don't have a lot of confidence in either out-

Wall St stalls Car stocks accelerate away

in spite of merger talk

AMERICAS

Merger speculation among motor stocks did little to rouse investors and Wall Street ran into a mild early sell-off, writes John Labate in New York

News that Daimler-Benz and Chrysler were in merger talks sent both companies' stocks sharply higher, producer Echlin Echlin's Chrysler rose 15 per cent or \$6% to \$47 12, while Daimler, which trades in ADR form, rose \$61 to \$108%. Other motor stocks were also higher. General Motors

added \$1 at \$69%. remained weak. The Standard & Poor's 500 was off 6.23 by early afternoon at 1.109.27, while the Dow Jones Industrial Average shed 42.35 to 9.105.22. A mixed technology sector put pressure on the Nasdaq composite index, which eased

3.76 to 1,861.15. 'We've been hearing of some reallocation of some funds," said Warren Epstein, director of trading at Richard Rosenblatt & Co. in New York. "People are looking for

The Treasury market took a different direction. Prices rose on the morning announcement of a major change in supply due later in the year. By early afternoon the banchmark long bond had gained a to 103%,

its rating on Northwest Airlines and the shares fell \$24 or more than 5 per cent to \$49%. Cendant shares lost \$% to \$23\ after Lehman

earnings per share estimate. company SPX Tool climbed \$2% to \$73% after it said it had withdrawn its offer to acquire auto parts

shares fell \$2% to \$48%. in the computer sector Cisco Systems rose \$1% to \$74%. Microsoft was down \$1% to \$86% on rumours that it had been in talks with the US Justice Department late But the broader market on Tuesday. Compaq Computer rose \$1 to \$31% on

news of job cuts. TORONTO continued to lose ground. Investors, fretting about higher interest rates, drove the banks lower and golds sagged in line with the bullion price. The 300 composite index was off 37.92 at 7.689.20 by noon.

Drinks and entertainment giant Seagram also weighed heavily on sentiment, turning in disappointing thirdquarter results and giving C\$1.25 to C\$59.80.

Royal Bank of Canada shed 85 cents to C\$83.95 as rate rise worries persisted. Bank of Nova Scotia came off 55 cents to C\$38.55 and Canadian Imperial 25 cents to C\$49.70.

Bullion had a dull morning and Barrick gave up 55 cents at C\$31.15 and Placer CS First Boston lowered Dome 45 cents at C\$20.40.

Mexico opens to storm

MEXICO CITY reopened after Wednesday's national holiday and walked straight into a minor currency storm. "Talk of a rate rise is back on the agenda," said one broker as the peso lost ground against the dollar in early trading. Sentiment in the equity market weakened and at midsession the IPC index was off 61.42 or 1.2 per cent

SAO PAULO was steady at sion with the Bovespa index showing a modest improvement of 24 to 11,579. There was said to be steady buying of blue chips. Telebrás gained 0.8 per cent to

CARACAS railied in spite of the broad decline for international oil prices. At midsession, the IBC index was 37.43 better at 6,074.21.

Financials fall as talks fail

SOUTH AFRICA

Shares in Johannesburg continued to move lower with most of the day's action concentrated among financials. The all share index gave up 3.1 at 8,120.1.

13,688.5 as investors regis-tered their disappointment at the breakdown of merger talks between Liberty Life and Standard Bank. Industrials shed 6.1

9,755.1. Golds came off 12.7 or 1.2 per cent to 1.019.4 in

News that Germany's Daimler-Benz was in merger talks with Chrysler of the US sent European carmakers racing ahead.

Daimler was the star per-

BUROPE

former in Frankfurt, picking up DM14.90 to DM193.40, off a high of DM197.70. Merck Finck, which upgraded the stock, said a deal would Brothers scaled back its allow Daimler to hedge the group's dollar dependence. which now represented 50

Conversely, BfG Bank in Frankfurt said the day's rise in the share price was exagrerated and recommended that investors take profits.

BMW was DM39 higher at DM2,060 and Volkswagen finished DM6 ahead at DM1,441. The two are still locked in their battle for Rolls-Royce Motor Cars in the UK.

French motor stocks shared in the general excitament with Renault and Peugeot surging to all-time highs amid renewed talk that industry consolidation could lead to a merger of the two companies.

Renault, which yesterday announced a bus and truck deal with Italy's Flat, rose FFr18.50 or 6.4 per cent to PFr306.5 while Peugeot gained FFr47.00 or 4.4 per cent to FFr1.112. Their combined turnover topped FFYL1bn. The Daimler-Chrysler

news brought renewed speculation in Milan that Fiat might be looking for a partner in the car sector. Against the trend of a broadly lower market, the shares picked up L460 to L7,739. In Stockholm, Volvo climbed SKr13 to SKr244 and Scania rose SKr3 to SKr188.

AMSTERDAM continued to track the dollar lower, with heavy selling of interindex down 10.66 to 1,163.69. Royal Dutch fell Fl 1.90 to FI 113.80 and Unilever FI 3.80 to Fl 151.70. Heineken tumbled Fl 2.50 or 3.1 per cent to F1 78.50.

PolyGram was the day's hot topic, powering ahead by 12.4 per cent after a swathe of takeover rumours swept through the market. These were sparked by the announcement that parent company Philips planned a "strategic assessment" of its 75 per cent stake in the music and entertainment

The speculation touched just about every global lei-sure group, but the story that caught the eye linked PolyGram with EMI, the UK group currently in "talks"

with a third party.

higher at F1 98.00 and Philips closed Fl 4.20 better at

Hoogovens, which has lagged the Dutch market by more than 40 per cent over the past six months, lost 30 cents to Fl 94.20 after an upgrade to "outperform" by Salomon Smith Barney.

Baan fell F1 2.60 to F1 94.70 for a decline of more than 10 per cent in two days following the software group's disainting results.

modest gains after a day dominated by the latest news from the motor sector. By the close of electronic trade, the Xetra Dax index was 38.42 higher at 5,264.62. Deutsche Bank was

marked DM5.65 higher at DM149.20 as the group declined to comment on nonket speculation that it was considering the disposal of its 22 per cent stake in

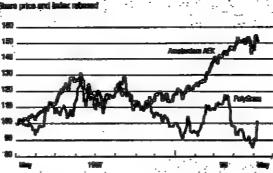
Mobilcom, the telecommu nications group, rebounded DM110 to DM1,400 after it restated its right to use Deutsche Telekom telephone lines at low fees. The shares fell more than

5 per cent on Tuesday after Telekom said that Mobilcom and other competitors should pay higher prices for access to its nationwide telephone network. Telekom eased 75ptg to DM45.35.

Altana was DM4.50 high at DM143 after the chemical and pharmaceuticals company reported that firstquarter sales and earnings grew more strongly than expected.

Steel giant Fried Krupp firmed DMS to DM337 after ti announced a rise in firstquarter sales and profit, and the chief executive said the group was looking forward to a pleasing performance it the current fiscal year.

PARIS edged higher, helped a powerful perfortor and a share buyback story at Saint Gobain and Spez Lyomnaise. The CAC 40 index ended up 2.54 at



Lyonnaise moved sharply

higher on the news that the two were contemplating an effective share buy-back. They plan to buy the stakes each holds in the other. Saint Gobain, which was also underpinned by strong first-quarter sales figures, rose FFr24.00 to FFr1,060.

Suez put on FFr29.00 at FF11.048. ZURICH reversed early losses and edged higher at the close, although continu-PRANEFURT closed with ing fears of a rise in German interest rates and a weaker dollar kept the upturn in the

> Much of the strength was derived from financials, which benefited from derivatives-linked demand.

> SMI index to a modest 14.8 at

UBS put on SF137 SFr2,582 while SBC, its Michael Morgan, Jeffrey merger partner, moved SPr9 higher to SFr558. But Bank Paul Gragen.

Baer dropped SFr130 to SFr4.070 and insurer Swiss Life was SFr22 lower at

A SF187 rise in ABB to SFr2,575 and a SFr29 advance in Alusuisse to SFr1,959 were again attri-Bank. Rieter rose SFr8 to SF1955 on a recomm that drew the market's attention to its positive fun-

COPENHAGEN rallied on the news that the government was planning to use legislation to end Denmark's ational strike. The krone stayed weak, but bonds recovered and equities kept in step. The KFX index closed up 3.19 at 234.75. Carlaberg added DKr20.00 at:

DKr435. MULAN wiped out early afternoon gains to close easier, although shares in the Rome soccer club Lazio made a bravura debut on the bourse. The shares were quoted at L6,700 in the premarket and trade was temporarily halted at the start of the day because of excessive

By the close, Lazio was quoted at L6,500, a sharp prenium to the L5,900 offer The real-time Militel index

eased 90 to 28,736. Written and edited by Brown, Emiko Terazono and

Motor groups on their marques

Takeover fever is rife in the German car industry. Motor stocks rocketed yesterday after the surprise news that Daimler-Benz is in merger talks with Chrysler of the US. Speculators are wondering which company could be the next takeover target. But the latest move

as an even more dramatic takeover involving two of Germany's biggest car-makers is unfolding. BMW and Volkswagen are locked in a battle royal over Rolls-Royce Motor Cars of

the UK. manufacturers Both declare they want to acquire the Rolls-Royce and Bentley brands owned by Vickers, the UK industrial group, to provide a credible way to enter the super-luxury mar buted to demand by BZ ket. Both have said they would pour in new investment, significantly raise output of the luxury marques and boost employment at the British manufacturing sites.

So far, RMW is abead in the tussie, having agreed terms with Vickers management. But VW is placing an increased offer on the table in the hope of swaying Vickers sharsholders.

Analysis remain divided on which company would benefit most from the acquinition. One school of thought favours BMW, since its existing products are closer on the motor industry's social scale to Rolls-Royce than VW's mass-market cars. But others argue it is pre-

cisely because of the gap between Rolls-Royce and VW's existing brands that VW has the most to gain. While this debate remains unresolved, the effect of the ongoing battle on the companies' share prices has been enlightening. Whenever BMW has appeared to edge ahead in the contest, its shares have tended to perform well, a sign of investor

confidence in the company's

ability to profit from the

the passence

moved ahead, its shares ling shareholder disappro-So far this year BMW's shares have outperformed just, those of VW. BMW shares have risen from DM1,340 at the start of January to DM2,060 at yesterday's close, a rise of 58 per cent, VW's share price is up from DM987 to DM1.441, a rise of

46 per cent. However, VW's price has been feeling the after effects of its badly managed share offering announced last autumn. That had to be scaled back efter sourcools ers protested that they had not been kept properly informed, prompting a sharp drop in VW's shares.

in the longer-run, VW's shares have outstripped those of BMW - increasing 130 per cant since the beginning of last year, compared with BMW's 95 per cent rise. What both companies shows is that both are doing

very well at present. German car companies in general are benefiting from the weak ness of the D-Mark, which is boosting exports.

Graham Bowley

Tokyo dips on credit downgrade

ASIA PACIFIC

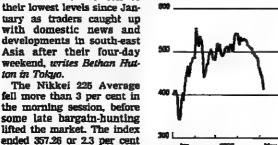
Shares in TOKYO fell to their lowest levels since January as traders caught up with domestic news and developments in south-east Asia after their four-day weekend, writes Bethan Hut-The Nikkei 225 Average

lifted the market. The index ended 357.26 or 2.3 per cent lower at 15,243.84 after moving between 15.586.96 and The Topix index of all first-section shares fell 17.04 to 1,200.66, while the capital-

weighted Nikkei 300 dropped 3.54 to 237.50. Some of the heaviest selling was of the smaller listed construction companies, after a local credit rating agency downgraded seven

companies in the sector. The sector fell 2.1 per cent, but some individual stocks fell nearly 10 per cent. Aoki was heavily traded, falling Y8 to Y79, Sato Kogyo dropped Y10 to Y104, Fujita Y4 to Y95, and Haseko Y1 to

Banks fell on comments



Trading in Mitsui Wharf

from a senior politician that more financial institutions were likely to fall this year. as well as on worries over exposure to south-east Asia. The sector lost 2.02 per cent. Sakura Bank dropped Y26 to Y414 in heavy volume.

was suspended on rumours that the company had disbonoured bills for the second time in a week. Mitsui Wharf said it suspected some bills in its name had been forged. Volume stayed low, at about 350m, as many traders still had not returned from

the Golden Week holidays.

unchanged.
In Osaka, the OSE index dropped 173.88 to 16,213.01 in

volume of 6m shares. JAKARTA fell 4.7 per cent as tensions grew after the political protests in Medan and in some cities in Java. The composite index was down 20.54 at 414.63, extending the market's fall this month to 11 per cent, and to more than 21 per cent since the start of April.

Yesterday's turnover was estimated at Rp389bn as most investors, and particularly foreigners, sought to Analysis noted that police fired pistol shots into the air

yesterday in an effort to break up renewed rioting in Medan, a key commodity centre for surrounding oil palm and rubber plantations. Among the blue-chip losers. Astra, the carmaker, lost Rp100 to Rp1,175, Telkom

arette-maker Gudang Guram lost Rp625 to Rp8575. SEOUL tumbled to the lowest level of the year as growing tensions among workers triggered selling by foreign investors. The Kospi index feil 15.57 or 4 per cent

lost Rp175 to Rp2,825 and cig-

gainers 866 to 295, with 134 to 376.22. Foreign investors reports that labour unions were threatening to go on strike depressed investor

> Fund-raising through rights issues also weighed on shares. Brokers expect Won3,000bn of funds to be raised through the market over the next two months, compared with inst under Won3,000hn for the whole of last year. Banks were weak on

heavy selling. Cho Hung Bank fell Won150 to Won1,150 and Hanil Bank declined Won55 to Won 1,020. Korea Electric Power lost Won1,200 to Won16,200 while Daewoo Heavy Indus tries lost Won180 to Won5,850. KUALA LUMPUR fell prey

the lengthening list of stockbrokers being threatened with closure added to the problems. The composite ndex dropped 23.78 to 584.62. MANILA reversed a fiveday winning streak, the com posite index falling back 546.05 or 2.5 per cent to 2,211.13. The property sector

to the regional woes, losing

The Business of Travel

For all the new services that they are now offering, many of the airlines are still failing badly to get the basics right, says Michael Skapinker

Turbulence among the passengers

The British Airways flight nese In first and business from London's Heathrow airport to Seattle is ready for departure and you have the best business class seat on the aircraft, in the front row of the upstairs section of a

The video channel is showing the British hit film The Full Monty. The audio chan-Full Monty. The audio chan-nel is running a tribute to and like Southwest, they are airlines' often smug raprathe conductor, Sir Georg offering flights at a fraction Solti, who recently died, of the fares previously There are times when 11 offered by the established bours in the air are a plea-

providing this level of comproviding this level of comproviding a model that fort. Qantas. BA's Australian Europe is following. partner, has just demonstrated its new first-class

They are like BA's firstclass sleeper seats, Qantas says, only better. Each Qantas seat has an individual ottoman footrest. At the touch of a button the British-designed seat is transformed into a 6ft 6in bed. Another of the world's

highly regarded airlines. Swisseir, has made some innovations of its own. On its long-baul flights passengers will be able to watch films when they choose rather than when the aircraft happens to be showing

Passengers will be able to Japanese, Spanish or Chl-

 $m_{\rm c}, \pi_{\rm T}$

ita sham Bek

will be free. Economy pas-

sengers will have to pay. It is not just on the established airlines that travelling is becoming easier. In Europe new airlines are springing up.

Their role model airlines.

In the US airline deregu-BA is not the only airline lation is now 20 years old,

The result of deregulation in the US, says Donald Carty, president of American Airlines, is that the US traveller has far more choice about how to get from one city to another than he or

change aircraft rather than fly direct, but "most city pairs are connected multiple times a day by multiple carriers", he says.

As well as liberalisation within the US and Europe, a series of open skies agreements has opened up competition from North America to tlatives have made attempts Europe, Japan and much of the rest of Asia.

So, as aviation's first canorder their films in English, tury approaches its end, are the initial German, French, Italian, the airlines giving customers worked. what they want? Yes and no.

nese. In first and business What has been described class these on-demand films so far is the airlines' view of the world, and much of it is true. Airlines have become far more innovative and responsive to their custom-

> They do compete to offer better, more comfortable service. But many passengers and regulators - rage at the sentation of themselves and their industry, and their apparent inability to live up to their promises.

Some of the problems that worry passengers are not the fault of the airlines alone. Take the issue of delays. In Europe these are getting international airline alli-

Last year almost 20 per cent of flights between European countries were more than 15 minutes late, according to the Association of she had 20 years ago. European Airlines. This was
They might have to a higher percentage than in 1996, which was in turn worse than the year before

> But much of the fault lay with European air traffic prices. control, the association said, rather than with the air-Various Europe-wide ini-

to improve the flow of aircraft and improve air traffic control co-ordination. So far tury approaches its end, are the initiatives have not routes, propping up fares. The official, or list, fares

The attuation is as bad as



it was 10 years ago," the association said. With air traffic set to increase by 5 per cent a year, an early

improvement is unlikely. Travel agents complain, too, that the formation of ances has done little to lower fares.

The alliances allow airlines to sell seats on their partners' flights. This means that they can sell tickets to destinations they do not serve themselves.

say, but there is little evidence that it results in lower

Nor, it seems, has the been the great success its fly with a carrier that takes champions claim. The US care of them." government said in April that the large airlines were that fares are unreasonably stifling competition on some high on the routes on which of their most important Southwest does not compete. competitors from entering large cerriers do not sell

the market.

Where Southwest flies, fares are low. Where it does And other low-cost carriers have found it difficult to sur-

Unsurprisingly, the large US airlines reject this view. Mr Carty says: "If you have \$100,000 and a leather helmet, you can start an airline. ness, but it's not easy to suc-

"The issue in our business This can be convenient for is this. The large carrier passengers, the travel agents with a large network still has a lot of value to give to his customer. The corporate account that wants to access 50 or 60 cities in three or deregulation of US aviation four months would prefer to

Nor does Mr Carty accept

many tickets at that price, he says.

ers. particularly, demond large discounts for their bulk ticket purchases. "The percentage of our business that we are selling at list price is in single figures." he

The industry still, however, appears to have an image problem. Judging by the number of complaints about airlines sent to the Financial Times by its travelling readers, many passengers are deeply unhappy about the way airlines treat

Readers write about unaccompanied children and elderly parents being abandoned at airports by airlines that had promised to look after them.

Aircraft sometimes sit on the runway for hours before departure because of techni-

Passengers are "bumped" off flights even though they have confirmed bookings. Baggage disappears and suit-

cases are wrecked.

If there is a common element to these complaints, it is not that airlines get things wrong - all businesses do at some time. The anecdotal evidence is that airlines seem less capable than companies in many other industries of providing proper redress when they do make mistakes.

Many companies in other industries have learnt that a unhappy customers and fulsome apology and generous compensation when things go wrong often results in greater customer loyalty than if the mishap had never occurred in the first place.

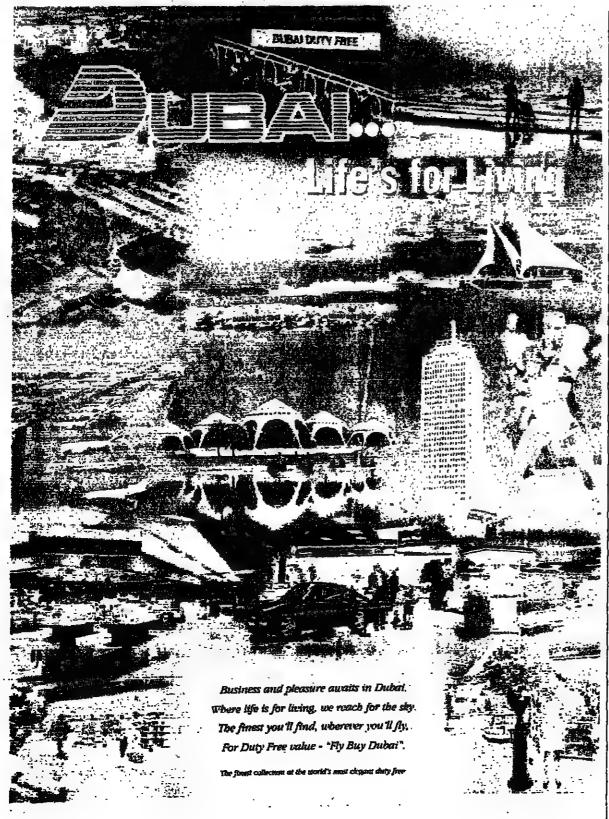
FT readers frequently complain about airlines, cal problems, Information above, that take months to than simply comfortable and preventing low-cost might look high, but the about these delays is often reply to letters of complaint seats and a better choice of and are often grudging and films.

complaining passengers is that aircraft have seldom been as full as they are at present. Some flights across the Atlantic this year have had load factors, or seat occupancy rates, of 98 per

When flights are fully booked and fares are high the airlines have less reason to worry about their custom ers descriing them. There are not many other airlines that can accommodate these there are plenty of other passengers to take their place.

But the next dip in the aviation cycle could result in many of the hopeful new carriers going out of bust-

And the established airlines may have to think a bit including some of the sup- harder about how to give posed paragons mentioned their customers a lot more





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Business air travel

No take-offs for start-ups

Competition may be the current buzz word, but the grip of the big airlines remains strong. Richard Tomkins reports

It is 20 years since the US airline industry was deregulated and if you believe the myth, the intervening years have seen the transformation of the US into a flyer's

The success of Southwest Airlines, the archetypal lowimpression that domestic fares have been driven down to rock-bottom levels by rampant competition between the big carriers and small, entrepreneurial start-

Unfortunately, the reality is different. Yes, Southwest has been successful - and where it operates, fares are chean. But in the rest of the US. competition is minimal to non-existent; new carriers have virtually given up trying to enter the market: and fares are often staggeringly

For example, a round-trip ticket from New York to Los Angeles, booked at short notice, costs \$1.836 - and with all five big sirlines flying the route charging exactly the same price, there is little evidence of competi-

Of course, not everyone pays such high prices. Leisure travellers receive big discounts for round-trip tickets if they book far enough in advance, spend a Saturday night at their destinations, and accept that they will not be able to change flights without severe financial penalties.

But business travellers are rarely able to accept such limitations, and they, in particular, are being clobbered by high prices. According to American Express Travel Related Services, which compiles an index of business fares across the US, the average one-way business fare rose by 16 per cent last year.

if these problems have only recently emerged, it is because for most of its recent history, the US airline industry has been burdened by overcapacity, and airlines have been forced to keep their fares down.

But after seven years of growth in the US economy. aircraft on most routes are

PROFILE

Southwest Alrilnes is far

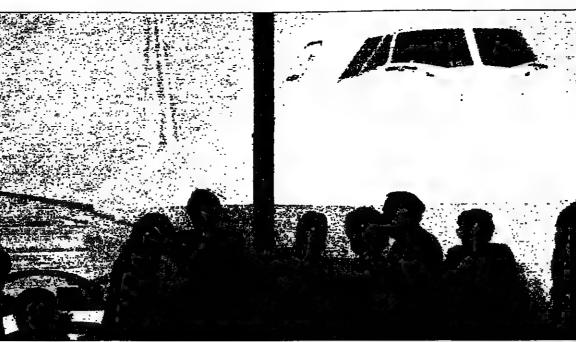
from young. Over the 27

years since it took to the

Texas skies. It has spawned

countless imitators. Yet it is

still the low-cost airline by



Despite deregulation in the US, the big carriers still dominate

on routes where low-cost carriers do not compete, airlines are taking advantage of the strong demand to lift fares to record levels.

To the outsider, the puzzle is that the combination of strong demand and high fares has not attracted more new entrants to the market. The whole point of deregulation, after all, was to encourage competition by allowing any licensed carrier to fly any route at any price. In fact, over the years,

many start-up carriers have tried, and falled, to enter the market. Typically, the established carrier matches the new entrant's fares and swamps its routes with extra capacity, forcing the new entrant out. Then, the established carrier withdraws the extra capacity and puts fares back up again.

Southwest has survived these tactics because it is not a small, start-up carrier, It was in business before deregulation was introduced, and has grown to such a size that it can swamp new routes with its own capacity. throwing established carriers on to the defensive

which all others are judged.

Indeed, its influence has

spread beyond the airline

management theory, where

its wacky style has become

industry and into

Wackiness on the wing

Southwest Airlines

The established carriers have responded by setting up low-cost subsidiaries of their own to compete on routes that Southwest enters. United Airlines has United Shuttle, Delta Air

Lines has Delta Express, and

US Airways is about to

launch MetroJet. But Southwest operates mainly on short-haul routes with high traffic densities. which account for only a minority of all routes in the US. Elsewhere - and particularly in the densely-populated north-east - the big sirlines either enjoy monopolies, or operate as an oligopoly, charging the same high fares as each other, even when ostensibly competing.

A further obstacle in the path of start-up carriers is the difficulty of getting airport access. At the nation's biggest airports - New York's JFK International and La Guardia. Washington National and Chicago O'Hare International - the big carriers have acquired all the available slots, and will not sub-let them.

In other large cities, the sive, long-term leases on air- Another would be if a big period.

the subject of serious study.

extremes the idea that work

Perhaps more than any

other company. Southwest

Airlines has taken to

can be fun. Life at

port facilities, giving them airline's response resulted in control over access to arrival and departure gates and check-in desks.

Amid mounting protests from business travellers. small airlines and others concerned about the lack of competition, the US Department of Transportation last month announced a crackdown on the anti-competitive practices of the big airlines, warning that it would act against them if they went on driving the small carriers off domestic routes.

The department said its studies showed that the big airlines were increasingly trying to stifle competition in their main markets, leading to higher fares for some passengers and preventing others from travelling.

It proposed new guidelines for determining whether airlines were engaging in "unfair exclusionary prac-

One definition of these practices would be if a big airline cut fares to the extent that it lost more revenue than all of the new entrant's capacity could blg airlines often hold exclu- have diverted from it. of the 60-day consultation

tolerated: they are

attendants' safety

Sometimes, flight

overbead inggage bins and

leaping out at unexpected moments. And the

instructions are usually an

Those of you who wish to smoke will please file out to

excuse for a comic turn.

our lounge on the wing,

where you can enjoy our

a typical announcement.

by Herbert Kelleher, the mpany's chairman and

feature movie presentation.

Gone With The Wind." goes

The Southwest tone is set

chief executive. Herb, as be is universally known, has a

remorseless enthusiasm for

jokes, pranks, laughter and

Southwest spirit back to the

small, entrepreneurial outilt

to attract attention to itself.

predominantly male. Texan

launched itself with a "love"

theme. Its air hostesses, as

they were then called, wore

Love Potions, peanuts were

bot pants and white PVC

go-go boots: drinks were

warmth. Herb traces the

company's origins as a

pitted against the big

Catering for a

clientele, Southwest

from Love Machines.

Adjusting to a more

company replaced the

to deliver "positively

outrageous service" at

Herb believes that if a

everything else falls into

Southwest creates a

laughter, but by making

everyone a birthday card. and marking promotions or

special occasions with an

sure good service is

recognised, sending

employees not just through

feelgood effect among

unbelievably low fares. The

politically correct era. the

airlines. From the start. Southwest used wacking

compulsory.

substantially lower operat-ing profits, or larger losses, in the short term than a "reasonable alternative strategy" would have pro-

The department said that it would also consider allegations that the blg airlines were trying to block small carriers from markets by hoarding airport gates or signing deals with local authorities that gave them exclusive access to airport infrastructure.

The Air Tronsport Association, an industry body, said that the proposals amounted to nothing short of re-regula-

"No matter how they cut it, this policy puts government bureaucrats in the business of setting fares and determining the level of service in the market," said the association.

But high air fares and fat profits have won the big airlines few friends in Congress or anywhere else, and the proposals seem likely to be adopted in substantially their present form at the end

of champagne In return, the company gets a workforce almost fanatically dedicated to Rerb, to the job – and to keeping costs low. It's not that employees are paid particularly low wages. Rather, their high level of commitment enables them to deliver exceptionally high

Crucially, for example Southwest's aircraft achieve turnaround times between arrival and departure of just 20 minutes - less than half the time that other carriers' aircraft take to get back into the air. One reason is that flight attendants and pitch in and clean the passenger cabin, load the bags, or do anything else

away on time. Other cost-cutting measures include a 737 aircraft, simplifying one parts inventory: cattle-car boarding arrangements with

With its low costs, Southwest had adopted a very different philosophy from that of other airlines. While big carriers use sophisticated yield management systems to calculate the maximum fare that passengers will be prepared to pay, Southwest cuts fares to the minimum with the aim of filling its

In doing so. Southwest company's people are happy. has played a large part in revolutionising air travel in the US. It has done it successfully, too, growing to become the nation's seventh largest carrier. And it has made a profit every year for the past 24 years - a boast that no other US airline can

Airline websites

Fly me, ľm online

As an aviation journalist. there are some press. officers I need never trouble again. Do I need to get hold of Boeing's most recent press release on its production difficulties or remind myself when the Airbus A340 began commercial service?

No need to pick up the phone: the world's two biggest aircraft easy-to-use internet websites (www.boeing.com and were airbus.com). providing this information, and much else.

But what about the travelling public? How easy is it for airline passengers to stop using travel agents? Should travel agents plan to turn their premises into Lilieaway restaurants?

Some are clearly suffering. In the US. independent travel agents now handle only 52 per cent. of autline reservations. compared with 50 per cent in 1996 Airlines resent having to pay commission to agents and are taking more of their bookings directly, either by telephone or on the internet.

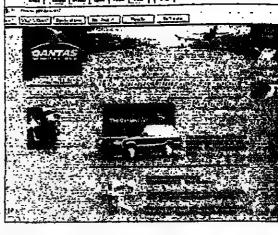
While the telephone is an attractive option for passengers wishing to book tickets directly, a tour of some of the airline websites suggests that improvements are still needed.

Many airlines now have weixites but only some provide on-line booking rvices and several of these are bedged about with restrictions. Many of the other websites are not worth the effort. Some make no attempt to replace the travel agents or the carrier's own telephone hooking service. US Airways, for example, (urww.usairteays.com). provides route information and flight numbers and some fores, but has no on-line reservations service. instead, customers are given numbers to call to

make a booking. Qantas of Australia (unive.gantas.com) has an attractive blue-tinged site. with flight and schedule information that is easy to again only book Qantas flights by telephone.

American Airlines (ura: americanair.com) gives customers the opportunity to book flights: online, but only if they are members of its AAdvantage frequent flyer programme. Free registration is

5 5 5 5 5 8 8



What about the Star Alliance? This is a group of six airlines - United Airlines of the US. Lufthansa of Germany. Scandinavian Airlines System, Air Canada and Varig of Brazil - set up last year to offer flights to almost any destination on earth. This is the world's most extensive airline partnership. If one partner cannot fly you to a city, one of the others should be able to do so. Perfect for a website, one would think, which should be able to show you how to get, for example, from Cleveland. Ohio to Vilnius. Lithuania using some combination of

nuntiable onsite.

the six partners. Star Alliance's site (www.ster-alliance.com) appears with a high-tech black background and promises "seamless worldwide travel". The website tells you which of its members services a particular destination, SAS, for example, takes you to Vilnius. But if you wanted to fly from Cleveland, the website does not tell you which flight to take to get to Vilnius, or where you might need to change aircraft. There is no fare information, let alone the opportunity to book online.

What about one of the Star Alliance's leading partners? Lufthansa (www.hyfthansa.com) greets you with a "Welcome to infoFlyway interactive Travel Planning". But then a problem emerges. To use the service, you need a user identification and password. You can register and obtain one and there are no obligations attached to this, t vou do have to pro your e-mail address - a disincentive to those who do not like companies

messages clogging up their electronic in-baskets. Are any airline websites easier to use? Yes. British Midland claims to have the

first online reservations

system (www.iflybritish

midland.com), which works well. Explanations are clear but the site requires a fair amount of mouse clicking, There is a warning on the website that it can be slow when demand is high. On a weekday morning, this was borne out.

High marks for well-designed, easy-tu-use websites go to British Airways (www.britishaircays.com) and Virgin Atlantic (unew.virginatlantic.com). The BA site is one of the most attractive on offer, decorated with the company's new range of ethnic designs and photographs of people from around the world in their national dress.

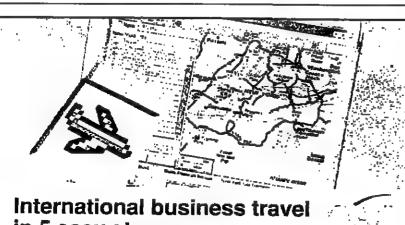
When asked for information about return flights from London to 🕒 Johannesburg, the site offered fares in an clear format, with the opportunity to make credit

card bookings online. The Virgin site bad no trouble providing fare information on flights from London to Melbourne and online booking facilities. Congratulations to Virgin, too, for making it clear that the flight would be operated not by itself but by another carrier - its partner. Molaysian Airlines.

Many of the websites are frequently improved and :-undated. Returning to a site even a few days later shows how hard the airlines are working at ungrading them. But compared with a phone call to a travel specialist or a visit to a travel agent. online booking still seems like hard work - at least to

There seems little resson yet not to allow your travel it to ac the job for you Let them frown over the screens and click their way through pages of information. That's what they are paid to do. And they still do a better job of it than most of us could.

Michael Skapinker



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Southwest is just one long impromptu party or a bottle boot. Practical jokes and wisecracking are not just ittendants play tricks on

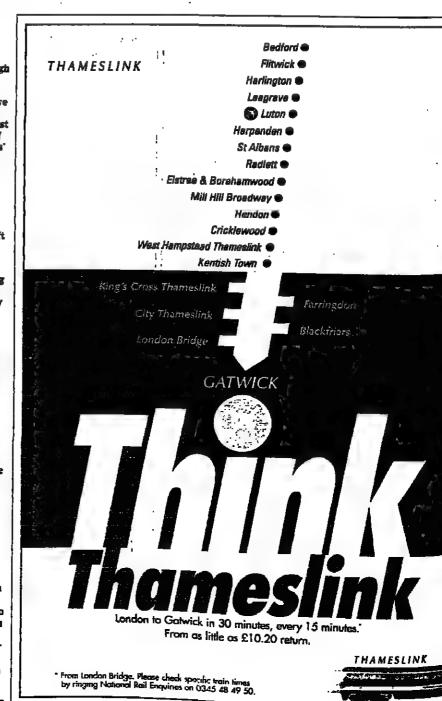
passengers by hiding in the levels of productivity.

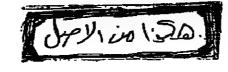
even pilots are ready to necessary to get the aircraft

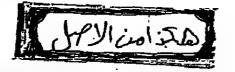
standardised fleet of Boeing training and requiring only unassigned seating; and no in-flight service apart from the repartee, a soft drink, and a bag of nuts.

Love Bites, and tickets came 'love" campaign by mission aircraft with people who might otherwise not have fun element persists because flown at all.

Richard Tomkins







Business air travel

All Go in no-frills sector

Cut-price airlines may be nearing the moment of truth, says Michael Skapinker

slightly empty. Go, a new no-frills airline owned by British Airways, would begin flying from London to just three cities - Rome, Milan and Copenhagen.

Compared with low-fares carriers with less illustrious parents such as Ryanair, EasyJet and Debonair, this did not look like many destidid not look like many desti-nations. But Barbara Cas-the European Union to libsani, Go's chief executive, says that she will announce more in the summer.

that Go's launch in April right not only to fly freely marked the latest stage in a fierce battle for Europe's another but also to begin skies that will drive some of the region's airlines out of

The appearance of new cut-price airlines is one sign of the change which is in other industries such as sweeping through European

The advertisement looked privatisation of airlines, the attempt by established carriers to form alliances, some cemented by equity stakes, and the drive to cut costs, frequently provoking strikes by staff, from British Airways at one end of Europe to Olympic of Greece at the

Behind the upheaval is a eralise Europe's skies. The process reached its formal conclusion in April last year Few in the industry doubt when all EU airlines won the from one member state to domestic services in other member countries

The single European aviation market, combined with the example of privatisation telecommunications, has prompted governments either to sell off their state-

Privatised airlines, such as BA and Lufthansa of Ger- another's flights. many, have been among The Spanish government plans to sell Iberia. The French administration wants to attract private capital to Air France, although it plans

to retain overall government

Although privatisation has improved the performance and service of several European carriers, even the most successful have had to continue to cut costs.

BA's plan to cut annual costs by £1bn by 2000 led to a three-day strike by cabin crew last summer which knocked £125m off the airline's profits.

The airlines are forced to continue to reduce their cost base because of the competition from other, freshly privatised carriers, as well as from the new no-frills companies and because fares have, in real terms, been falling for decades.

In an attempt to maintain

alliances which allow them to feed passengers on to one The no-frills airlines have

BA is establishing links with Finnair and Lot Polish Airlines and is considering buying an equity stake in Iberia. Swissair has this year put together a new alliance with Sabena of Belgium, Austrian, TAP Air Portugal, Turkish Airlines and AOM of France.

in addition to winning more passengers, an unstated aim of airline alliances is to try to slow the fall in fares. But Stephen Wolf, chairman of US Airways and a veteran of the US airline industry, believes that the drive towards lower fares in Europe will continue whatever the large carriers do and even if some of the smaller airlines go out of

"What the travelling public wants is, firstly, to travel safely, secondly to do it at a convenient time and thirdly to do it as cheaply as possible, "says Mr Wolf. "The consumer is going to demand their profits, European air- low fares and the market

responded to this demand by offering cut-price fares, in the plane and agree to be seated on a first-come, firstperved trucks

Most of the low-cost entrants have based themselves in the British Isles, attracted by the flexible workforce, the liberalised aviation sector and relatively low social security

Ryansir, the best established of the European nofrills airlines, has its base in Dublin. Even before the EU single aviation market had been officially completed, the airline had already begun operating domestic services in Britain. EasyJet and Debonair both

operate from London's Luton airport, Virgin Express, controlled by Richard Branson's Virgin group, is based in Brussels but is finding it difficult to operate there because of Belgium's high

Few expect all the new air-lines to survive. In the US. which went through its deregulation in the late 1970s and 1980s, most of the early entrants disappeared.

Sir Michael Bishop, chair-man of British Midland, one of Europe's best established independent atrlines, which offers a full rather than a

the moment of truth is approaching for the no-frills

Many of the low-cost carriers have been offered low rates by the airport from which they operate. Sir Michael believes this favourable treatment might be

coming to an end.
"As the airports fill up they will want to start charging the market rate for their services," Sir Michael

He adds that some of the low-cost carriers rely on duty-free sales to generate profits. With duty-free within the EU scheduled for abolition next year, the budget airlines could be hadly

Several no-frills carriers are also having to buy new aircraft to comply with new EU noise regulations.

Even if some of the new entrants go out of busine however, competition between the existing carriers

is likely to remain intense. As well as entering the low fares market itself, BA bas a French subsidiary, Air Liberté, which competes with Air France on domestic flights. Its German company, Deutsche BA, is Lufthansa's biggest competitor in Ger

PROFILE

Still flying a middle course

Michael Skapinker looks at KLM UK since full control was assumed by its Dutch parent

It was a difficult time for Air UK, the London-based carrier partly owned by KLM of the Netherlands. One one side were as British Airways and British Midland, offering meals on board and a business class service. On the other were the new breed of low-fares, no-trills carriers such as Ryanair

and EasyJet. Air UK was the second biggest airline at Amsterdam's Schipbol airport after KLM itself. It carried passengers from British regional airports to Schiphol, from where they could take flights to the US or Asia.

It also offered domestic flights in Britain and from London to other continental European

But in marketing terms Air UK was stuck in the middle, a dangerous place to be when the liberalisation of the European Union aviation market had resulted in increased competition in every sector.

Last year KLM acquired the 55 per cent of Air UK it did not already own. paving the way for a rebranding and repositioning of the

In February, Air UK was enamed KLM UK, making it clear that it was part of the Dutch airline's worldwide network, which melades a transatientic alliance with Northwest Airlines of the US.

KIM decided it would be wrong, however, to try to move its British affiliate into either the full service or low fares end of the market. It would stay where it was - in the

But it would come up with what it regarded as a simplified fare structure capable of winning ingers from both ends of the market - business iravellers who wanted teaper fares but some frills, and leisure passengers looking for lower prices.

How does KLM UK plan to appeal to both sets of passengers? By being a full service carrier in the mornings and evenings and a low-cost leisure airline during the middle

of the day. At the top end, KLM UK now has a fully flexible iare. Passengers can change their flights, switch to other airlines or get a

At the lower end, they will pay a cheaper fare but will have to travel on the flight they have booked.

They will not be able to get

Although KLM UK's 40-aircraft fleet has an undivided cabin, with no seats, there are predominantly business

lass or economy flights. During peak hours there are more fully flexible fores than chean offerings Passengers who fly in the morning get a cooked

In the middle of the day fares are lower and gers receive a sandwich and a drick rather than a meal. In the evening newspapers reappear on flights going to and from London City

But isn't KLM UK repeating its earlier istake of being neither a full service nor a low cost carrier? No. says Henny Essenberg, KLM UK's chief executive.

"There are literally thousands of travellers out there whose personal requirements are not being met," he says.

"Who caters for the needs of the smaller businessman or wom who has to get to the other end of the country for a meeting first thing in the morning but does not have the travel budget of a blue chip company?

"What happens to the leisure traveller for whom the once-a-day schedule to a secondary airport offered by a no-frills carrier is

Tony Camacho marketing director, says customer research indicated that the name change would appeal to British passengers-

"Our research shows that the primary impression people have of KLM is that it is open, fresh and reliable," he says. "It also has the Dutch values of being liberal and

People also do not think of KLM as being er-specific. Most airline brands are regarded as male. The negative side that we had to deal with was that KLM was perceived as not being local. That's why we added the UK tag." Mr Camacho adds that

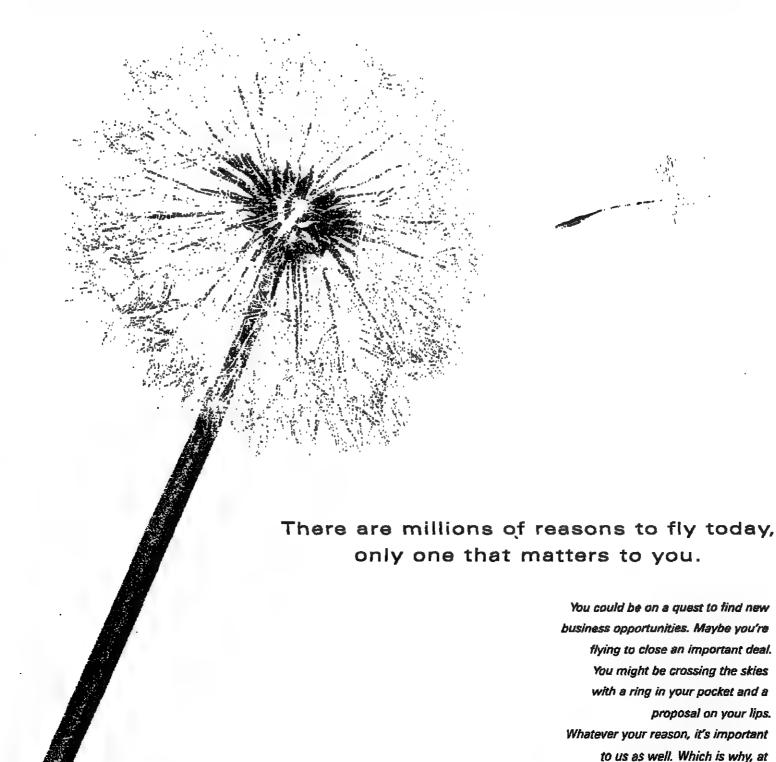
expensive. The airline obviously hopes that its clearer fare structure will change that perception. But, with British Airways setting up Go, its low fares airline, at KLM UK's base at London's Stansted airport, competing at the lower end

of the market will not be

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KLM was also regarded as

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Business air travel

Flights of what you fancy

Roger Bray finds even more choice is being introduced to in-flight entertainment

It may not be possible in time for this year's World Cup finals in France but in four year's time, when that great soccerfest rolls around again, business travellers may not need to miss a sin-

By then, live television transmissions to aircraft. even across great stretches of ocean, could be common-

Passengers on a Delta Airlines Boeing 767 in the US have already seen the future - and know it works. During a recent flight from Atlanta to Denver they were able to watch the conclusion of the American football. Superbowl. The route and destination were neatly chosen.

This was not the first time sporting events had been shown aboard the aircraft. The broadcast was part of a long-running experiment. The trial was begun by the airline in 1996 in conjunction with Hughes Avicom, which provided the hardware, and satellite company, Direct. which has just agreed a deal to relay news and other live programmes to business jets.

When trials began, reception and reliability were patchy and it was not possi-ble to transmit more than one channel simultaneously. Although Delta was playing ploneer, it was not interested in providing live television throughout its fleet unless each passenger had an individual monitor.

This time pictures and sound were clear, says Rockwell-Collins, which took over Hughes Avicom last year. And now it is possible to transmit 14 channels at the same time. Robert Walzer, director of business development at Rockwell-Collins Passenger Systems, says the company expects to start missing it on another it testing the technology imminently - on the same Delta

If it goes smoothly, other carriers will be anxious to existing satellites and says



The Denver Broncos' victory: a recent flight from Atlanta to Denver showed Delta Airlines passengers live footage of the Superbowi AP

race to offer real time television will enjoy a significant marketing coup.

"If it's a question of watching a game on one flight or could influence which carrier a traveller chooses." one industry observer says.

Rockwell-Collins uses offer their passengers a simi- some two thirds of those

lar service. Those first in the being launched have the World Cup finals [after capability to provide the these). The opportunities for appropriate, high powered signals. As yet there are big gaps in the coverage over Atlantic and Pacific but work is in hand to fill them.

"If I were to bet," says Mr Industry with diversionary Walzer, "I would say the technology to provide direct trated efforts to provide custransmissions to North tomers with audio and video Atlantic passengers will be available in time for the next choose from an enormous

range of movies and other programmes at any time during the journey and to sponsorship are likely to provide a catalyst to speed up stop and start them at will.

on demand - the ability to

Although this has been Meanwhile the prospect of viewed for some years as the live TV should provide the ultimate in-flight entertainment goal, hardly any airrelief from its often fruslines have installed it. Two which have are Swiss-

air and Singapore Airlines. The former's in-flight entertainment includes a choice of 14 movies which can be viewed on demand - free in first and business class but with a US\$7.95 charge in economy - and two which are started and stopped by

There are 20 free films on all its MD-11 and Boeing 747 touch screen system which also allows passengers to gamble - though not on flights to and from the US, which still bars gaming in

The latter is slightly less advanced. Since September It has been testing technology developed by Japan's Maisushita, which provides its existing multi-channel systems, on one Boeing 747 flying between Singapore and Tokyo. If none of the 15 movies available appeals. there are 10 Nintendo computer games to play.

Other carriers have decided that existing systems provide so much choice they might as well wait until on-demand technology has advanced before

"We have been campaigning for video on demand for a very long time," says Lysette Gauna, the in-flight the UK's Virgin Atlantic. We think it would be great to offer passengers the facility to stop and start films and fast forward or rewind

"The problem is that we already offer 12 movies, and another eight TV channels, with a total of over 40 hours of programming and there is insufficient space on the aircraft computer's file server to download that much material. Existing technology probably allows you to store only about three quar-

She added that Virgin Atlantic had decided it would be a step backward to cut the choice by one third. simply to give passengers the facility of stopping and

That may soon change, she believes. As early as next spring on-demand systems may be available with much greater memories. If so, Virgin's existing systems can be upgraded.

Meanwhile Virgin has its own plans for the World Cup. During the finals it will show highlights of matches as soon as possible, and, starting this month, custom ers will be able to see the whole of England's triumph over Germany at Wembley in 1966, when most people's idea of in-flight entertain-

A check-out at the check-in

Although not illegal, the practice of buying airmiles from a broker is something airlines are trying to stop. Roger Bray looks at how effectively they are doing so

and it is certainly not difficult - but beware. Airlines are starting to crack down. If they catch you at a check-in, the chances are that they will refuse to carry you unless you buy another

The way most brokers trade is to match passengers who want to earn cash from the sale of unused rewards seeking cut-price flights.

The seller designates the buyer as a friend or relative to whom he is giving his points, which is allowed under the rules of many loyalty programmes, but the two never meet. The dealer makes a profit by marking up the value of the miles.

Despite the difficulty of policing this grey market, it awards are not transferable is estimated that around 10,000 travellers a year are caught at airports in the US sione. Some are allowed to carry on unhindered while the carrier takes up the cudgals with whoever sold them the points. Most are obliged to pay again before continuing their journeys.

It is easy to see why the market exists. Regular business travellers pile up points which pressure of work prevents them from enjoying. Often they are unable to use their miles before the expiry date many carriers impose.

A recent survey of longnational Air Transport Association showed that, of those who belonged to more than one loyalty programme; 33 per cent failed to claim their

rewards. This clearly suits the airlines. If too many people use their miles it can upset assumptions about yield and dilute revenues. They do not like it when customers sell awards through intermedi-

Insiders say that brokers aircraft. In addition, there manage to pick up miles relthey can for them. Typically, they will pay about £900 for a return ticket between buyers and sellers with the friends, giving the airline

Buying frequent flyer miles £1,900, or around 30 per cent from a broker is not illegal less than the regular business class fare.

According to airline loyalty programme specialist, Randy Petersen, four out of five brokered awards are Airlines, which says that tickets for international flights, and most are reckoned to be taken up by business travellers flying in first

or business class. Leisure travellers buying discounted flights cannot save enough to make It worthwhile their going to a broker, and hardly any rewards are used on domestic services,

Brokers advertise their services in newspapers and on the internet. The newspaper, USA Today, a popular vehicle for such advertisements, warns readers that many airline tickets and and urges them to "check before purchasing".

Some are transferable. Vouchers, that are given as promotional incentives by supermarkets and petrol stations for example, can be traded with very little risk of detection.

The British Airways sub-sidiary, Air Miles, for example, allows rewards in return for vouchers. But it says it is moving increasingly towards the electronic "banking" of points, which makes their use far simpler to monitor.

Air Miles collectors can pass on their benefits to family members or live-in partners - but the company may ask for proof of their address. "This ability to transfer miles has given rise to recent reports that divorcing couples have been squabbling over who gets them," says a spokeswoman for Air Miles. "Technically speaking, they can't share them out after the divorce because they won't be living together. But we are not draconian about these rules. We

are not going to take you to who are happy to get what outwit those airlines limiting transfers to family members, have even matched

miles to friends beyond the family home, making it even more difficult to exercise rig-

was route to t

orous control over their use. Among these is United programme can hand on their benefits to family members or friends. It tries to eliminate abuse by issuing a form on which the person who earned the award design nates the recipient or goes to a ticket office to pick it up.

It also includes a warning in its inflight magazine that anybody selling, purchasing or brokering award certificates "may be liable for payment of the full fare, day ages. litigation transaction cost. All such items are void and may be

confiscated". But as one US-based broker explains: "They aren't to know who your friends are. We give you the name of the buyer and you can write it on the form".

Such airlines are unlikely to jump on passengers who sell the odd fistful of points to an acquaintance who wants a weekend in Paris. If you keep seiling them to the same broker, however, they may lose patience.

Randy Petersen, whose publication. Inside Flyer, offers advice on the latest frequent flyer programme developments, believes trade in rewards is diminishing as airlines make better use of computers to track claims.

"It is not a case of a million passengers selling one award each, it's more like a few thousand selling a lot. If you put in a reward request for someone who does not have the same surname, your name goes into a file which works as a kind of red flag if you keep on doing it".

Airline staff commonly catch out passengers by asking them who gave them the miles. If they bought them from a broker, they may not rewards originally. They then pluck a name at random from among their Europe and the US, for same surname. However, the very ammunition it example, and sell it for about some airlines also allow needs.



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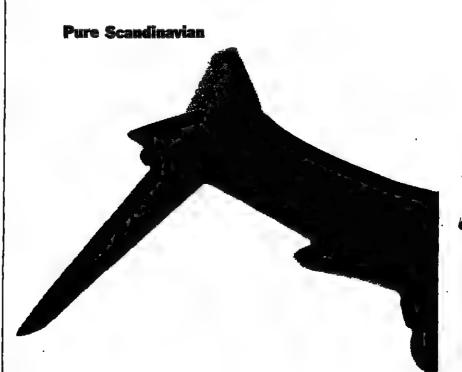


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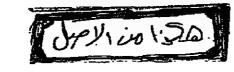
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Travel management

Tortuous route to US insurance

imagine the following nightmare.
You are driving on business in
Montana, where there is no generalspeed limit. Another motorist, ignoring the state's somewhat lame road sign exhortation to exercise prudence, smashes into you at an intersection. You are badly injured. unable to work for several months and lose a crucial contract. Your medical costs are covered by your travel insurance policy.

But you also want redress for the

around for someone to sue,

ess you lost. So you cast

hire car was uninsured. Gelting any money back will be like ezing blood from a stone.

This scenario is fairly comme the US. It can be insured against but some policies do not include this kind of cover and car hire reservations staff are generally ignorant about it. Most travellers to the US know they need top up third party Hability cover against the risk of being sued by someone they hump into on the road because the statutory minimum cover

low to protect against even a modest lawsuit

Few are aware that insurance which provides compensation if an driver lilts them is a legal ent in only 18 states, and then up to a modest maximum generally ranging from \$10,000 \$50,990. So, you should check whether the rental company provides it across the US or only in

some top-up liability policies do include it - but check the fine print. If you are buying a prepaid ackage, such cover may not be included. The question being debated in the UK rental industry is whether this form of cover should be offered by car hire companies, or should be part of mainstream travel policies alongside insurance against illn or theft of baggage, for example.

Roger Bray

Driving towards a revolution

Car hire firms are introducing changes to make easier for customers, writes Roger Bray

Pick up a hire car by machine will also deliver the slipping your credit card and driving licence into a machine. When you drop it off, the mileage and remaining fuel are checked electronically as you pass through the car park

Rental firms are working feverishly to ensure that business travellers waste as little time as possible.

Customers of the rapidly expanding, Munich-based company Sixt can, for example, already obtain car keys from machines in Germany and will soon be able to do the same in other European countries. The machines accept plastic cards as payment and scan the client's licence or passport as additional security. Avis, which is testing simi-

lar technology in Frankfurt, has fitted some cars with transmitters which send information from the mileage clock and fuel gauge into a computer at the return park barrier, so that the invoice is available as soon as the customer steps out of the vehicle During the next changes of ownership and phase of this trial, which is the emergence of fresh com-

Travellers renting from Hertz in Paris can now request a vehicle with a global positioning satellite system. They tap in details of their destination and a computer gives them verbal instructions on which turn-

ings to take.

National, whose US parent Republic Industries recently acquired Eurodollar and Alamo, plans to offer European corporate customers a service available in the US, allowing them to pick any vehicle within their price range from a rank instead of having a specific car assigned. It has been successful in the US but it requires a very big fleet. Now that we have a sufficient number of vehicles in Europe we can try it here," a

spokeswoman says. The impetus for such improvements has come from a period of widespread upheavel in the industry. ere feer rates may edge up when the dust settles, recent

, jogg Chairinin ar

Not least among these

developments is National's expansion. Geoff Corbett, European president and chief executive officer of Republic Industries Automotive Rental Group, claims that with more than 3,000 locations it has become "the first car rental company dedicated to business travel across the world".

As a result there are now several firms, concentrating mainly in the leisure sector but with offers open equally to business travellers, all promising to undercut each others' prices.

Other improvements to service are being put into to rent a car from one of the big chains on a Sunday other than in an airport or a city centre, or who has fallen for a low basic price only to be laden with extras, knows that the industry has some way to go in its quest to become more consumerfriendly. But some big. improvements have been

Hertz, for example, is installing covered walkways to and from car parking Though some travel manag- spaces at 40 US sirports "to protect customers from the excesses of rain and burning sunshine". They are already in place at Atlanta, Chartaking place in Britain, a petition have inspired an lotte (North Carolina), Cin-

cinnati, Dallas-Fort Worth, Denver, Miami, Detroit and San Antonio, (Texas).

Budget is courting ecology-conscious travellers by extending the availability of gas-powered cars. Having launched the idea in Norway and Sweden and then introduced electric cars in Paris and Lyon, it now has 50 Ford Mondeos powered by liquid paraffin gas in its London fleet at Heathrow and Victo-

A service called Rapid Return has been launched by Europear at Heathrow. The car's registration number is recorded as the driver enters the car park and, by the time customers draw to a halt, staff equipped with portable computer terminals welcome them by name and print out receipts on the spot. National is testing a similar system.

Europear, which recently acquired British Car Rental. also intends to offer its "sign and drive" service, already available in Britain, Belgium, France and Germany. in all leading European cities by the end of this year. Key corporate customers

can have documentation completed in advance. All the customer does is sign a company travel organisers form at the rental deak and drive off.

budget can also take advan- pay with a credit card when tage of the highly aggressive you pick up the car."

market. In Britain, for example, three companies with sizeable international networks - Holiday Autos, Suncars and newcomer Hire for Lower - have been promising to undercut rival weekly rates by £5, £10 and £20 respectively. The disadvan-

tage is that they tend to rent for a minimum period, mostly three days. The impact of such competition on overall prices is illustrated by the constantly updated Dow Jones Travel Index. In one randomly selected spring week average daily costs within the US ranged from \$64 in New York and \$54 in Chicago to \$48 in Los Angeles \$32 in

Orlando and \$29 in Miami. Mick Shires, group managing director of Holiday Autos, which has just announced a new range of price cuts after renegotiating deals with its suppliers, estimates that between five and 10 per cent of the firm's customers are on business. "Our brand doesn't target

them and, while we do offer one day rates, we don't overtly promote them," he says. "But business travellers have become cute and know that there are deals if you are prepared to pre-pay, Business travellers on a because with us you can't

No such thing as a free lunch

Amon Cohen finds a balancing act is required in managing a company credit card

nent is finding the delicate balance between maximising savings for the employer and optimising service, convenience and com-

Corporate charge cards are an example of where the two imperatives meet. For the employer, they aid cash-flow, simplify expense administration and allow them to keep an eye on what their travellers are spending.

For the employee, they are handy way of paying for travel and entertainment (T&E) expenses while on the move. Card companies also provide basic travel insurance and emergency assistance if the card and any accompanying tickets, pass-port or cash are stolen.

Furthermore, having a separate card for business purposes helps the employee keep private and corporate expenses separate, greatly simplifying the monthly task of expense reclamation.

On top of all that. Diners Club and American Express offer membership perks not related strictly to T&E management. Diners' cardholders. for instance, have access to 72 airport lounges worldwide. There are also discounted leisure products and services, such as a golf scheme admitting Diners' cardholders to courses around Europe for discounted green feet.

Perhaps the most potent perks are the loyalty programmes, whereby cardholders earn reward points every time they use their card. The co-branded British Airways Diners Club card is the most powerful of these. Cardholders sarn one airmile for every 95 spent on BA flights. (up to £30,000 per year when

The art of corporate travel it becomes one for every £10) and one airmiles for every £10 on all other transactions

> made through the card. Amex's Membership Rewards, allows earned against reward programmes operated by airlines and hotel groups. Unlike Diners, cardholders have to pay an annual fee of £35 for the privilege. Visa has no consistent loyalty programme but an offering is available from some card issuers.

The benefits of a loyalty programme for the traveller are obvious but for the employer they are not clear. It is arguable that such chemes contradict the card companies' professed aim of helping corporations to control travel expenses by giving travellers a powerful

incentive to spend less. Don Osvog, Diners Club UK managing director, disagrees. Mr Osvog says that, in an age in which fewer staff are working harder and travelling more, few executives would go away on business simply to run up more airmiles. "These people want to travel less, not more, so the chances of abuse are

In any case, says Mr Osvog, the information provided by a card makes it hard to abuse company expenses. Big card providers offer corporate clients computerised information products that enable them to see how much each employee spends through the card and with which suppliers.

enhanced data, such as class of travel, making it possible for a finance director or corporate travel manager to run exception reports, spotlighting for instance, employees who do not fly with preferred airlines or travel in business class when they should be in economy.

a far more fundamental reason why cards should have loyalty programmes essence of travel purchasing indeed, any area of pur chasing - which is the

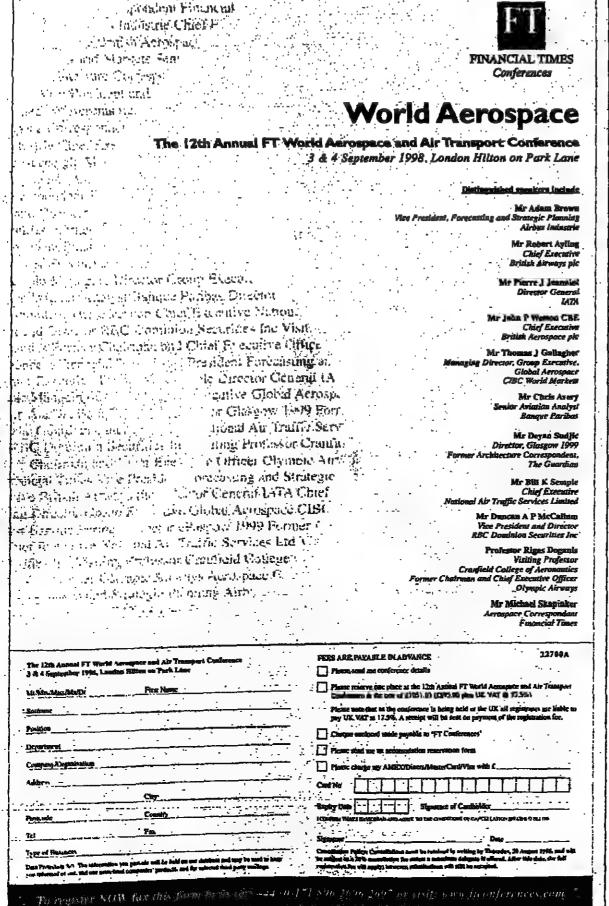
manipulation of information The spending information generated by a T&E card gives purchasers the precise data they require for leveraging deals with suppliers who want to know exactly how much business they stand to gain (or lose) before agreeing a discount.

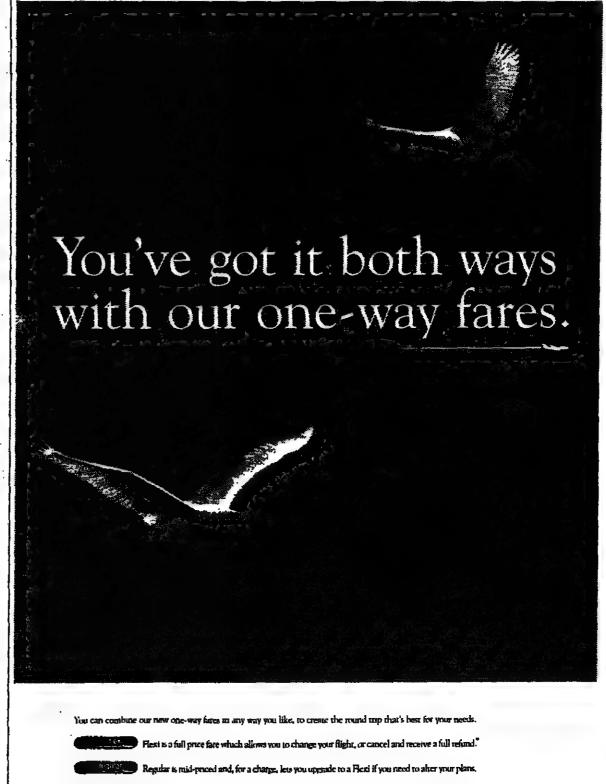
tions channel should all their T&E spend through the same card to ensure manage

Mr Osvog's rivals are far less bullish about their loyalty programmes. John Chaplin, Visa senior vice-president for commercial products, says only 20 reward scheme to stimulate card usage. He also warns that loyalty has a price. "There is no such thing as a sive to put on such a scheme and ultimately the card provider will have to recover the money one way or another from the client, says Mr Chaplin.

Chris Sharp, Amex UR hasd of corporate services. says his team makes a thor ough audit of new clients' expense management processes before deciding whether to recommend that employees be allowed to sign up to Mambership Rewards But in most cases, he save, it

"I would advise against loyalty programmes unless they can be used satisfactorily in the interests of both companies and their travel lers." he save.





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Homely touches would help

lan Hamilton Fazey hears business travellers talk about the services they would like to see provided in hotels

painless as possible, a pleasure if achievable, an enriching experience if there is time to enjoy it but also value for money.

is rarely all of these things and more often none of them 'The rigours of business travel include perpetual tiredness, lack of sleep, too much changing of cities and hotels difficulty in checking into hotels early, and objections from the hotel management to checking out late.

Even a relaxing swim may be difficult if the pool is an architectural feature shaped in such a way as to make aerobically rhythmic cruising speeds impossible - and it may well not be open early or late enough to fit in with the business traveller's working schedule.

These were some of the views a emerge from a focus group of Financial Times reader volunteers who assembled tor breakfast in the Hyart Carlton Tower in London to discuss the future or business travel. Each focus group member was an experienced travellar. mainly in the US. Europe and Asia Hyatt and the rest of the hotel industry may not be too happy with some of the result.

Hotel executives pressed the group on whether people would be prepared to pay more for better services. Two replies summed up the group's feelings: "The onus is on the hotel industry to keep improving," one member of the group said.

"It a like any other consumer product that keeps gerting better all the time. One would expect the hotel industry to do the same, but not necessarily keep jacking

But you also want to retail some notion of personal contact and not be stuck in a coom with buttons to press where you have to interact with the phone to get your messages. You think I'm doing a bit more

Business travel should be as work here than I should be. This message should just

> 'You don't want to spend all your time dealing with machines. You want a bit of home, with someone else to look after you a bit."

People will pay for such a service, within reason. As another participant put it: "The analogy with falling PC prices is appropriate. You a machine at home and just get a box with everything on the only techie in our family, it is just as important for the rest of us to have service

"It is the same with hotels. You can sell anything for a price, but the thing which makes the difference and attracts loyalty is not diacounting down to the bottom, but differentiating yourself, so that people say, Yes, they cost a bit more, but it's worth it

There is, of course, a limit to how much more the customer will pay. Most of the group staved occasionally at the heights of the luxury market, but not often. They might for instance, want to impress a customer, maybe there was a discount to attract new users or, perhaps, someone else was pay-

Generally, they might pay another \$50 a night for better service on a typical rate of \$20, but not much more. and they would seriously question value for money at anything above \$300. The focus groups com-

prised Rodney Kent, an investment banker, Mark Lee, a corporate identity consultant, Richard Parkinson, an engineering group executive, David Sinclair, a chartered accountant, Charles Maver, a merchant banker, Graham Field a freelance writer and Mark Cunningham, an advertising agency director.

Travel ceased to be an



Want to be alone, madem? Greta Garbo in 'Grand Hotel'. The onus is on the hotel industry to keep improving

adventure for them years ago, aithough all would still like it to be so, if there were time to stay somewhere interesting, possibly out of

But usually, time was too short. Downtown locations are essential for most business travellers, so the hotels they use tend to be large. modern, and standard. While the economies of scale help to keep prices down, it does not usually help to create the personal touch.

As one of the group put it: Travelling on business is a dehumanising experience. You are in limbo in airport buses and cabs and so on, so you want to be able to re-establish your personality wherever you are, especially if you are in a lot of grinding meetings all the time.

"You want to be able to get back to the room and think, OK, here I am; me again. You want to get away from that airport lounge/ lobby environment

Simple things might help. such as a reliable TV guide or a selection of books and magazines, rather than the usual anodyne promotional journals found in most hotel rooms.

Business travellers also

like to be in charge of their home, not an office. environment rather than at its mercy. Controlling room temperature is a musi - and

most would like to be able to

proofed from the couple next door, the cisco, or the piano bar in the lobby. points or e-mail, with adapters for local electronic protocols, are expected to be standard and, while most wanted to be able to work in their

most people had experience open a window. They also want quiet rooms, soundof late or non-delivery. Inroom fax machines were a solution, provided they were silent, so that people were As for work, connection not woken by them at night. No one placed any great value on hotel loyalty schemes: points were diffiroom they wanted it to be a

Airmiles were considered more understandable and The biggest worry for everyone was security of easier to "bank", so why not ularly with faxes, where

> Rewards, it was felt, should be tangible and within reasonable reach. One suggested incentive was free weekend hotel accommodation that might help make business travel easier to put up with. If it can it should be made less pain-

Benefits come with loyalty

Tom O'Toole, Hyatt's marketing in Chicago. believes the best way for business travellers to get better service is to use with

one hotel chain. The conventional wisdom that hotels take more care of regular guests than of casual customers is, he says, true. Moreover, information technology can now identify customers of the individual hotel, so benefits should accrue worldwide.

Michael Gray, manager of the Hyatt Cariton Tower in London explains what this can mean: "It is likely we will give a room when we are sold-out to someon who has never staved here before because we know he is a regular customer of Hyatt in San Francisco The company's database which lists its top customers, can be acce on a daily basis by any hotel in the chain.

Hyatt also analyses travel patterns internationally so it can target its marketing. Mr O Toole says a customer who stave in a Hyatt in Hong Kong and Los Angeles can thus be identified as a prospect for San Francisco, or another city around the Pacific Rim, and approached accordingly.

The company can also have stopped using the

chain, or even just one of . its hotels, triggering an ammosch to find out why. We need to know

21 100

whether the pattern changed because the engineering project in Singapore ended or becau Shangri-La introduced a better programme, or the up call one day," says Mr O Toole.

He will not disclose the threshold of spending that qualifies for such attention but says that while fewer than 10 per cent of they account for a "much greater" share of revenue People are often pleasantly surprised by the approach - and candid. If they have switched to another chain. Hyatt will try to win them

All the large hotel groups have acquisition and . retention marketing strategies and aim to win business from each other. Mr Gray says that on any day, half the guests at the Hyatt Carlton Tower will

have stayed there before. However, the problem is: consistency. All chains have hotels which, in some cities, rank in the premier division, but in others are well into the second tier. This which stops many travellers putting all their eggs in one basket.

lan Hamilton

Catlin Holdings

Disciplines pay dividends

carge companies can reduce multi million pound ravel hudgets through mreful leveraging and by consulidation business with lewer suppliers but smaller rompumes usually lack this

buying power. Yet, there are still dozens of ways they can reduce travel custs if they are devible and are prepared to then travellers.

one commany which has successfully achieved this is umdon based Lloyd's underwitting agency. Catlin Holdman The agency has a staff of 54 of whom around अम्माराया abroad on vanpany business a dozen

if them regularly.
As a result, Catlin spends 2240.000 annually on travel hut the figure wou<mark>ld he far</mark> higher if it were not disciplined in its purchasing. The first and most crucial step is to employ a good business rravel agency.

Many travel purchasers believe the size of agency should fit the size of client and Catlin is no exception. Travel manager, Pam Howlett stopped using its previous agency a year ago and hired medium-sized ('it) specialist Chambers Travel Management instead.

supplier was too big and we were too small." Ms Howlett

Chambers was recommended to Catlin by a large broking company for whose business it riad pitched. The broker was unpressed by Chambers but lecided it was too small for its requirements.

When an appropriate igency has been selected. the next step is to formulate a policy. Catlin has two basic rules: one is that business-class travel is only longer than eight hours; the other is that travellers must take the cheapest flight suggested by Chambers unless they have a good reason for not doing so.

When quoting a fare for a Journey. Chambers provides the standard price for the most direct flight, usually with British Airways, plus cheaper options via an indirect route or with a rival carrier. These can save thousands of pounds. One recent quote for a trip less direct routing was only 21.800. The trick is to find

savings that do not inconvenience the traveller too greatly but, inevitably, there will be a trade-off savings, Catlin compromises by allowing business class travel but imposing longer journey times. "If it is a case of sitting in an airport for a couple of hours to save £2,000, it is worth it," says

Not all the discounted fares dreamed up by Chambers involve indirect flights, however. One Catlin employee recently travelled to Beijing and Hong Kong. By buying two one-way fares instead of a return. the return journey was priced in the weak Hong Kong currency, producing

an instant saving of £700. Now Catlin has been a year with Chambers, the travel agency has collected enough data to see if some limited route deals are possible. An airline is unlikely to give a customer of Catlin's size across-the-board discounts but might agree to a deal on a heavily used route. especially if Catlin can prove that it will add more business next year by flying

all its passengers with the same airline.

Catlin's finance director also uses Chambers' monthly data plus employees' Amex charge card statements to check no one is spending injudiciously. In addition, Catlin employs a simple but effective internal system to

Before each trip. travellers must submit to the chairman a budget for every aspect of their journey including flight. notel and entertainment costs. "The budgets have to be signed off by the chairman who has done all the trips before, so he

prevent overspending.

"I also check with Chambers to make sure lowest fare offered. When travellers return, they have to fill in the amount spent on the trip. If it comes in . good: if not, they have some explaining to do."

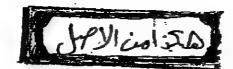
says Ms Howlett.

Another money-waster is hotel telephone bills. Catlin is experimenting with a company international mobile telephone which travellers plug into their communicate by e-mail. The disciplines imposed by Catlin – especially

indirect flying - do involve some sacrifices by employees but even the structure of the company encourages them to be prudent. "Our travellers sometimes fly at weekends to save money but they are all responsible for their own budgets," says Ms Howlett "It means they know that the more money they save, the more money will eventually go into their own pockets."

Amon Cohen





Travellers' tales

Briefly

Surviving four weeks every year in the air

Logistical mastery keeps Kevin Roberts, Saatchi & Saatchi Worldwide's CEO, in four locations a month, says Gillian Upton

schedule most people would find a nightmare. As chief executive officer worldwide for the past year of advertising agency, Saatchi & Saat-chi, he spends every month travelling to at least four dif- travel and join him when most of the time and utilises ferent places. One week he spends in New York, one in fed this interest. During his quent fiver miles to extend . Jetlag, seemingly, is not London, another in Auck-eight years with Procter & the budget more. He only an issue. He adjusts his land and the remaining

ts come

"That's going to be the 12 months he has flown over 360,000 miles on 128 flights and been in the air for almost 34 days, which took him to 40 cities in 24 coun-

The company, which is the brothers ran until three travel, for security reasons, to Russia, South Africa and

Contraction of the second

oren of Language

ian Handla

2.5

Colombia. Some of the gruelling schedule is self-inflicted as, although the company is London-based, British-born back-up. A highly qualified dinner in the lounge before l Roberts has chosen to keep travel agency and excellent get on, which is a super his home base in Auckland, secretaries in New York and smart idea from the where he lives with his wife, Auckland. I don't leave any- sirines."

leave New Zealand and that times." was my stipulation when mise is that I'm there a week than the US, he reckons to a month."

they can Roberts' career has airline alliances and fre-Gamble he was based in does two things on a plane, week in other company Switzerland and Casablanca, sleep or work. "I don't talk, I and takes a sleeping pill if offices.

and as president of Pepsi don't watch movies, I don't he wants to sleep. "One the Middle East he and his fam- drink alcohol and I generally norm," he says. In the past tily lived in Cyprus. Before don't eat," he says comphatijoining the agency he was cally. with New Zealand-based,

of all her husband's travel original agency the Saatchi arrangements, A family- the express spe meal they owned loft in New York's years ago, has 160 offices in Soho obviates the need for healthy, tasty and fast." 91 countries so he still has a hotel stays in the Big-Apple. He rates British Airways' long way to go. He refuses to and outside that his business first class seat the best in schedule has to work with the precision of a Swiss however, that others are

crazy. I love travelling and I have incredible logistical

It means that he is particu- get it." Lion Brewery, a job which larly sensitive to the merits took him regularly to China. and demerits of strline seats. Rowens runs a corporate in the US he patronises travel agency and takes care Delta, an agency client. "They've got good seats and offer is excellent. It's

the skies, acknowledging, matching it. "The best thing "For me, the schedule isn't is the complete privacy you have when you work, and a big table. I usually have

Kevin Roberts has a travel ever do. I never want to a flight which stops three always chooses seat 2A at was my stipulation when: By booking all travel corde infrequently as for taking this job. The comprothrough Auckland, rather him it does not deliver value. I can't work on it, a month."

Save the company 25 per the seats are too small so it's

As a family they love to cent. He travels first class three and half hours of dead

> watch as soon as he boards and takes a sleeping pill if ory is that I'm permanently jet-lagged or, because I'm constantly moving, I don't

> When on the ground, he has strict criteria about where he stays, "It's got to have a big desk, two phones lines, a fax machine (the whining through the night bugs me but I usually sleep through it), a great ber and it must have a gym otherwise you can gross out in my business. I work a lot better when I've exercised."

hotels generally fit the bill and his favourites are the Montalembert in Paris, the Metropolitan in London , Das Triest in Vienna and the clutch of Phillip Starck-designed hotels across the US. Rowens, and three children. thing to chance so I don't. He also likes Air New Zes- the last of which has influ-



attempts to coach me

mail which his office couri-

ers to him daily to scribble

on and send back, having

delegated as much as possi-

ble. "You only have to han-

dle a piece of paper once and

get it closer to the person

"People take the rise out

of me because I rely on sec-

retaries and couriers. In this

business you want your bosses to be idiosyncratic.

The people that make it are

odd," he contends. He sees

himself primarily as a coach

to the company's 6,000

What would make his life

on the road easier are more

telephones on aircraft in

places which give privacy -

"that's my biggest bugbear"

 and more airlines offering facilities on arrival, "Air-

lines need to do more for you before and after the flight."

highly creative staff.

instead, he carries a ton of

through it."

his New York loft.

Every three months he frightened of laptops. My comes to a halt. I plan my kids have had various business in 100 days leaps and set achievements for days is all I can do before I need a week's break." Then

he catches up on lost sleep. When on the road, contact with his office is a low-tech The new wave of designer affair. He admits to being a communications dinosaur, despite heading a communications company, although he is at ease with videoconferencing, teleconferencing and dictaphones.

"I don't carry a laptop. I'm the wrong generation at 48 "Some things I would never, end up on a [small] plane or land, United and Quotes and enced the interior design of and confidentiality is a con-

seatbelt vigilance

Buckling down to

At least four North American airlines propose to require passengers to wear seatbelts throughout their flights. It makes good sense, because it reduces the risk that they will be thrown about if the aircraft hits turbulence. Cerriers have long recommended that customers stay buckled up when they are sitting - but how can carners insist? Tricky, admits American Airlines, which says it intends to introduce such a requirement scon. "We will encourage customers much more strongly and probably get cable staff to remind them from time to time - but we can't handcuff them and make them obey," says a spokeswomen. Rival Delta will also crack down this summer and similar measures have been announced by Alaska Airlines, its sister company Horizon Air, and Air Canada.

Stagnant demand

Business travel demand within Europe was stugrant overall last year, a survey suggests, but there were sharp differences between countries. The number of trips made by UK executives soured by 29 per cent. At the other extreme, travel by the French tell by 16 per cent. The figures come from the European Travel Monitor, which is published in Germany. They show that business trips to Austria, Belgium, France, Germany, the Netherlands and Switzerland rose by 7 per cent and those to Britain, Denmark, Sweden. Norway, Finland and Ireland went up by 3 per cent. But travel to sestem Europe and Mediterraneen

Spanish centres

Spain will soon have two new conference centres. The first will open in June, in Valencia, the country's third largest city. Designed by British architect Sir Norman Foster, the oval shaped building will have huge walls of glass and will comprise three auditoriums for totals of 250, 500 and 1,500 delegates. The second is scheduled to open by the end of next year on the Avertida Diagonal in Baroelona. The Pta5500m Congress Palace will have two large halls, each seating about 2,200 people, one of which will be divisible into 18 smaller meeting rooms. It will also incorporate 1,590 sq m of exhibition space and an underground car park.

The Japanese connection

Airlines have wasted no time launching new flights between the US and Japan since this year's agreement by the Tokyo and Washington governments on more open skies. American Airlines is flying between Chicago and Tokyo's Narita Airport, Northwest and United Airlines have also announced start dates this aummer. The former will open a route linking the car manufacturing centres of Detroit and Nagoya on June 2 - be non-stop flights, three times a week. The latter will start services between Chicago and Osaka on July 8. United operates non-stop flights between Osaka and San Francisco, Los Angeles and Honokulu. And Continental will fiv non-atop to Tokyo from Newark in November and from Houston the following month.

Roger Bray

With a sketchpad at the ready

Gillian Upton talks to Louise Kennedy, a designer who picks up inspiration on her travels

brish womenswear designer, has 50 outlets, and to Iceland She stays loyal to Aer Linconstant travel companions. a sketchpad and travel journal. She records shapes, colours, a piece of furniture, or articles she has read, indeed whatever catches her eye. And they occupy her on

"It's a comfort thing. I relax by doodling and I'm always looking. I learn from different cultures. Travelling is inspirational. Your subconscious is always working. Even if I drive through the countryside I'm looking at the mountains and colours, " she 5278.

On average she travels for mostly within Europe. Mostly, she visits trade shows, fabric fairs or her fac- it's a large industry. tories in Italy, Austria and Germany. Then there are mills to visit in Paris and two factories in Ireland, in Dublin and Limerick, Last laugh at me but I've only month she was in New York. missed a flight once." which she visits four times a of New York," she says.

but it never bothers me," she says. She is always on the my colleagues, read, sketch look out for new fabric or catch up on notes so I'm developments, as this, coupled with colour, is her forte. example, lycra with lines so it holds its shape better.

look is beautifully cut suits and she mainly dresses able drivers." career women. Her interest ery business in County Tip- edy. She colour co-ordinates perary, for which she all her clothes and travels became the buyer. Today, light, managing with hand her Dublin-based company luggage only for most jourexports to the UK, where she neys.

Louise Kennedy, has two and Sweden. She is soon to gue and Ryanair for the jouropen her first retail outlet in nevs she makes into London Dublin, in a converted Geor- and, because the company is gian house which will also be her home and studio.

Aside from clothes, it will EasyJet. sell Phillip Tracy hats, bags She uses British Airways and gloves, her own line of long-haul because of its crystalware, which has taken her on trips to Prague, and generally interesting items for the home bought on her travels in Hong Kong Ms Kennedy sounds like the and Mexico. There are also plans to open a shop in Lon-relish.

knowing where I'm going to half of every month and be from week to week. I'd wear situation in Mauritius,

Expansion will mean more

"Flying doesn't tire me," she says. "I get very little jet-lag. But I'm always late for flights, the airline staff

She does plan trips careyear, for Fashion Week, and fully, avoiding meetings doubled as a commentator straight after a long-haul for Sky TV. "I love the buzz flight for example, and always sticks to the itiner-"Every week I'm travelling ary. "It makes travelling easy. I chat on board with very focused."

She's found a car company She has mixed together, for in London which she always uses. FirstTravel, to drive but that's never an issue. her from Heathrow to the "Colour and fabric is centre of London. "They everything," she says. Her have great quality cars and courteous and knowledge-

Keeping luggage to a mint-

budget-conscious, she will patronise the no-frills airline

breadth of destinations. "I find them excellent but I've with any airline," she says. customer all airlines would

She says: "I have no chiltravel but the prospect does it never bothers me if a not faze her. "I relish not flight gets cancelled. A single person has a different perspective on it. When it comes to choosing

hotels, she relies on recommendations and often books suites so she can entertain. In Paris she stays at the Montalembert. "It's wonder ful for people staying on their own. Staff are consistently good and there is a

great restaurant downstairs. In New York it has to be the Four Seasons or the Plaza Athenée and in Dublin she uses the Clarence or the

"I like smaller botels generally. Staff attitude is vital. particularly when you're travelling on your own. I able and spotlessly clean. and, on top of that, it has to have a good concierge. He can set the tone of the whole place for me.

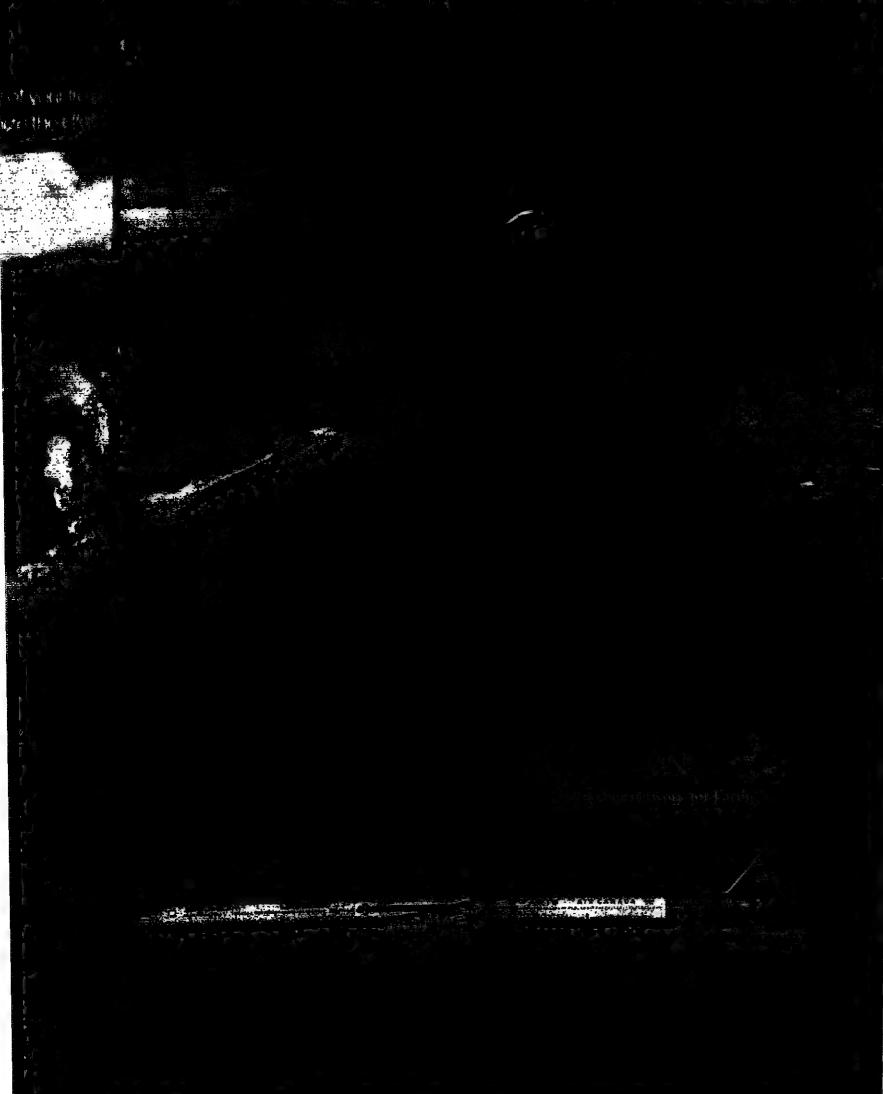
"A bad experience at the reception desk or concierge came from the family drap- muon is easy for Ms Kenn- and it can tarnish your whole stay. There is a big saying 'No' to a request and saying 'We'll see what we

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Getting around: Africa

SOUTH AFRICA

South Africa is by far the most developed economy in sub-Saharan Africa. It produces more electricity, for example, than all the other countries combined. The transport, communications and banking infrastructure is excellent, and Johannesburg - the business capital - is a hub for flights to the rest of the region. Other blg South African cities are Pretoria, the administrative capital. which is 40 minutes from Johannesburg by road; Cape Town, where parliament sits; and Durban, the port on the Indian Ocean. South Africa is perhaps best known for its mineral wealth, including gold and platinum. But it is also rich in tourist attractions - including game parks, beaches, mountains, deserts, forests and the Cape of Good Hope itself and the tourism industry has grown rapidly since the country's first all-race election in 1994. English is widely

Citizens of most European Union and many Commonwealth countries, and those of the US, Japan and Switzerland, do not normally require visas for short visits.

South Africa is well served by international flights to and from Europe, Asia and the rest of Africa, and South African Airways flies to Miami and New York. Johannesburg is the principal airport. There are frequent domestic flights to Cape Town, Durban, Port Elizabeth and East London. SAA no longer has a monopoly on local routes; other carriers are British Airways (operated by Comair), Sabena's Nationwide, and Sun Air. The rapid growth in traffic in the past few years has left some South African airports congested, but expansion programmes are under way and the airports generally run smoothly.

Local transport

The road network is good and South Africa is - at least for visitors and for its wealthier inhabitants - very much a car-oriented society. Car hire is easy, while taxis are available at airports and big hotels. Visitors should be alert to the possibility of crime and should take precautions against car hijackings and street robberies. Car doors should be locked and valuables, including mobile telephones, should be hidden from view.

There is no shortage of first-class hotels. Cape Town has the magnificant pink stucco Mount Nelson which overlooks the city from the foot of Table Mountain. In Durban, there is the Royal, and Johannesburg has the new Westcliff. Many businesses have moved out of Johannesburg's city centre to the northern suburbs, and the downtown Carlton Hotel has closed. Instead there are the Hilton, Intercontinental or Holiday Inn hotels in Sandton, and the Hyatt in Rosebank.

Eating out

For those with foreign currency, South African restaurants, and Cape wines, are very good value. Seafood and meat are generally of high quality in the big cities, although there is tendency to offer huge portions and to smother delicate flavours with choose sauce. Most international cuisines are well represented, including Italian, Portuguese and Japanese, but it is worth trying Afrikaans specialities, especially in Cape Town or Pretoria. Dishes include waterblommetjie (water 111y) soup, bobotie, a Malay-style spicy mince, and deserts such as melktert (milk tart) and sweet pastries called kneksisters.



The magnificent pink stucco Mount Nelson botel which overlooks Cape Town from the foot of Table Mountain

NIGERIA

Nigeria, the most populated country in Africa, enjoys a fearsome if not always well deserved reputation as a difficult destination for the first-time

While infrastructure is poor and officialdom can seem intimidating, parts of the country are beautiful and festivals, often associated with religious holidays, point towards a

proud and diverse history.

Most business is conducted in the largest commercial city and usual point of entry, Lagos, the capital, Abuja, and the centre of the oil industry, Port Harcourt.

Nationals from most countries outside west and central Africa require visas issued in their country of origin and a health certificate showing proof of vaccination against vellow fever.

Business travellers must usually provide a letter of invitation from Nigeria, while visa fees for European and American travellers are uncommonly high.

Airlines

A combination of political factors and safety concerns means there are at present no direct flights to Nigeria from Britain or the US. Most European airlines, however, have regular services to Lagos, which also has good connections with other destinations in

Kano in the north has an international airport but the capital, Abuja, for the moment receives only domestic flights. Local carriers, with the partial exception of Bellview, have a justifiably poor reputation for safety and reliability.

Local transport

Public transport is crowded, chaotic and certainly not for the faint-hearted. Taxis are available from larger hotels, with prices depending on the availability of petrol.

Lagos is notorious for its perpetual traffic jams, known locally as go-slows. while Abuja, still in the process of construction, is much quieter. Travelling the lengthy distances between Nigeria's main urban centres can be problematic.

Lagos to Abuja is 10 uncomfortable and not always safe hours by road. while the ageing fleets operated by local airlines inspire little confidence. The railway network is in the process of rehabilitation but remains desperately slow and unreliable.

Given its size and business prominence, there are surprisingly few hotels of an international standard in Nigeria. The Lagos Sheraton is

conveniently close to the airport but far from the city's commercial centre, while the Eko Meridian is extremely

Abula offers the sargantuan Nicon Noga Hilton and the similarly huge Sheraton, Risewhere, choice is extremely limited for those looking for reliable supplies of water and electricity, modern telecommunications facilities or decent. service.

Several established companies, bowever, have their own capacity to accommodate visitors.

Eating out

Years of recession, combined with a British colonial heritage, means that Nigeria is rarely rated as a culinary experience of note. Most towns and cities offer a sprinkling of Lebenese. European or Indian restaurants.

More adventurous travellers. however, may be tempted by the ubiquitous pepper soup served at local establishments, often sufficiently powerful to bring tears to the eyes. Land snails, considered a delicacy in the south-west, are very much an acquired taste, although pounded yain and cassava leaf stew are more

Imported beer and wine are widely available but can prove expensive. Local brews are of a distinctly mixed quality.

MOROCCO

The kingdom of Morocco is a favourite tourist destination in North Africa, combining beach with desert adventure and magnificent mountains. Morocco offers a perfect opportunity to combine business and pleasure. Rabat is the political capital, quiet and disciplined, and Casablanca the bustling financial centre. Tangiers no longer has the cachet of favourite port for the rich and famous, but Marrakech and the Atlas mountains are an attraction and tiny Agadir draws many for a lazy week-end on the beach.

Travellers from Europe and the US do not need visa unless they are staying for more than three months. Dozens of other nationalities do, however, and should check with local

Royal Air Maroc is the national carrier. Between RAM and European airlines, you can get daily service to and from Morocco. The main airport is in Casablanca and it takes about one and a half hours to drive from there to Rabat and about three hours to Marrakech. But you will also find many direct flights from Europe to other Moroccan cities, Including Martakech and Tangiers, although the Rahat airport serves mostly local flights. From London, the choice is between British Airways, operated by Air Gibraltar and , Sant Mary Royal Air Maroc. Business class airfare from London to Casablanca is about £923 plus tax, and an economy fare runs from £200 to £612.

Local transport

Royal Air Maroc and local trains can take you efficiently from one city to another. Driving from Casablanca to Marrakech is a joy but watch for many careless drivers on the road and preferably make the trip during daylight. In town, the "grands taxis" are the most comfortable but they'll charge several times more than the more rugged "petits taxis." Have a precise address and ask the hotel to give the driver directions, or else you might be consistently late for appointments.

Morocco's hotels, have improved in recent years. In Casablanca, the best by far is the Royal Mansour, with functional and nicely decorated rooms, ceramic tiled bathrooms and excellent service. In Rabat, the Hilton (formerly Hyatt), the favourite for business travellers, is comfortable but on the outskirts of the city, while the Tour Hassan is central and has a charming historical feel. Marrakech boasts many lovely hotels, the most famous of which is the Mamounia. A memorable day can be spent on the pool by the orange grove listening to classical tunes from an orchestra.

Eating out

In Rabat, the best Moroccan cuisine is at Dinariat, in the beart of the Medina (old town), serving traditional couscous and tajine dishes. For more French style dining. Rabat considers l'Entrecote the best for steaks and le Goelan for fish. In Casablanca, La Bretagne is an excellent fish restaurant on the shore. Le Cabestan offers good continental cuisine and Le Tajine downtown is the favourite for Moroccan delicacies. Restaurants in Marrakech have a magical, romantic atmosphere. Often found in traditional houses, in the old town, among the best are Yacout, known as the city's "grand luxe", and Dar Mounis._

KENYA/UGANDA

Nairobi was once glowingly described as the "City in the Sun", but there has been such a steep deterioration in the past 10 years that the appellation now looks distinctly inappropriate. A spiralling crime rate means it is no longer safe to walk the streets at night and even in the daytime muggings and car hijackings are frequent. With the cities becoming increasingly unhappy places, the real appeal lies in the magnificent game parks - Masai Mara, Amboseli, Tsavo - the stunning Rift Valley scenery and coral-fringed coast. While two recent rounds of ethnic killing bad little direct impact on visitors, they halved bookings for Kenya's low-budget, beach-and-safari packages. For those ready to buck the trend, the advantage is that hotels and lodges now offer really competitive cut price deals and enthusiastic service. A faltering economy is also weakening the shilling, whose strength had deterred some visitors.

Visas are required by visitors from the US, Japan, and most European countries, including the UK, but not Norway, Sweden, Denmark, Spain, Italy, ireland or Germany.

Airlines

Nairobi, a key regional transit point, is one of the easiest African capitals to fly to. But while Jomo Kenyatta airport offers a refreshingly hassle-free experience compared with many African rivals, it has failed to become the cosmopolitan international hub envisaged by local planners. Business lounges are cramped, there are no hotels near the airport, duty free is unimaginative and the environment shabby. Since its privatisation, Kenya Airways has made great strides in

improving services, although domestic flights are still discouragingly expensive. The same applies to flights to neighbouring Zanzibar, Tanzania and Uganda, which would otherwise provide a natural extension to any Kenyan holiday. Airport tax on international flights is \$20.

Local transport

Given the cramped conditions on Kenya's creaking buses and matatu minivans, private taxis or car hire, neither of them particularly cheap, are the only practical alternatives. If driving yourself, remember that Kenyan drivers are terrible - many buy their licences from corrupt policemen rather than take the test. few have fully functioning brakes and lights – and the country has one of the highest accident death rates in the world. Drive protectively. The national rail network laid by the British now works at a fraction of its original capacity and while the overnight train trip to Mombasa is still very picturesque, it's not reliable.

Hotels

For reservations call 0171 370 6600.

Nairobi is one of the best-provided African cities in terms of hotels. At the top end are the Serena, the Norfolk part of the city's colonial history - and the Hilton. Slightly less expensive are the Intercontinental and Grand Regency and there is a range of moderately priced hotels: the Fairview. Stanley, Six-Eighty and Hurlingham. Unlike some African countries, only just learning to exploit their natural attractions. Kenya is highly commercialised, with most key beauty-spots boasting a choice of western-standard lodgings. It is worth shopping around before booking - the crisis in the tourist industry is so

acute many hotels will strike on-the-spot deals and offer big discounts just to keep occupancy rates

Eating out British cooking has left deep scars on

Kenyan cuisine and many of the hotels and lodges serve food and drinks of truly boarding school ghastliness. But break out of their grip and there's a wide range of cuisines on offer: Indian Italian, French, Thai, Japanes Ethiopian, seafood, The Kenyan speciality, simple but always delicious is "nyama choma" - barbecued meat eaten with hare hands and washed down with plenty of Tusker beer. The upmarket version of this is on offer at the well-known Carnivore, where you can sample ostrich, giraffe, zebra and antelope before deciding that plain beef is best after all.

UGANDA Once a symbol of African savagery,

Uganda has become the west's favourite son. Kampala is small and manageable, its residents genuinely friendly and violent street crime noticeable by its absence. The worm in this apple is provided by the rising number of grenade and bomb attacks. apparently the work of guerrilla movements opposed to President Yoweri Museveni's leadership, A booming economy and an expanding privatisation programme have also been at the price of a surge in corruption and a spate of power cuts and interrupted telephone links as the infrastructure struggles to keep up. But there's nonetheless a tangible energy in the air and a "can-do" approach on the part of the inhabitants that makes the capital one



of the most pleasant on the continent to visit.

Not required for citizens of EU; US; Australia, New Zealand, Japan, Canada, Switzerland, Scandinavia Taiwan, Hong Kong, South Korea, Saudi Arabia, Kuwait, United Arab Emirates. A return or onward ticket is

Airlines ...

Entebbe cannot yet rival Nairobi in terms of sheer quantity of air links, but it's trying hard to catch up. British Airways flies direct to Entebbe, and other airlines have increased their services. The airport, site of the historic Israeli raid, is modern. comfortable and offers excellent duty free goods. If its location, a 45-minute drive from Kampala, is inconvenient, there are at least a couple of nearby lakeside hotels to stay in before going

on to Rwanda or elsewhere. Airport tax is \$20 on international flights.

5v vichela.Wro

Local transport

Because Kampela is such a small city. many offices are in walking distance. Otherwise, private taxis are on hire for between \$40 and \$60 a day. Peak-hour jams are a sign of the city's expansion, so time spent sitting in traffic is a new characteristic of life in Uganda. On trips out of town - to the rehabilitated Queen Elizabeth, Murchison Falls or Bwindi national parks for example - it is best to hire a four-wheel drive vehicle, as floods have undermined already fragile roads.

Hotels

Dominated by a few key operators, Rampala's hotel business offers some of Africa's most expensive and least efficient lodgings, starting with the overpriced Sheraton and gloomy Grand Imperial, both blighted by wall-to-wall musical entertainment desultory service and indifferent food. Between these and the kind of unpretentious lodgings where international telephone lines and air conditioning are out of reach, there is little apart from the Nile and Fairway to choose from. At the lower end, the Speke, Shanghai and Athina Club offer good value for money.

Eating out

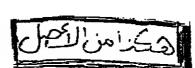
As a city with a large Asian population, Kampala has a rich variety of Indian restaurants; the Haandi, Chaat House and Maharajah all offer good fare. Chinese cuisine is available at Fang-Fang and the Shanghai, while Crocodiles and 7CooperRoad, situated in the same compound, offer excellent continental cooking.

The fastest route to Doha with daily non-stop flights from Heathrow. plenty of room to stretch out and work, in-flight video library and international cuisine.



Now we're talking business.

القطرية QATAR AIRWAYS





Getting around: Africa



Recreating a wilderness

Pilanesberg National Park offers Isgers and a few white com- zebras and an array of antethe same spectacle as larger reserves without the need to travel far, says Victor Mallet

industrial man had never walked the earth is not an easy task. But the managers of Pilanesberg National from Johannesburg, South , rhines died. . have attempted to do just

Take the lions that were 1993. It was not as though any old lions would do. Botswans lions had a taste for truck in an attempt to discicattle, which might have alienated the villagers who live around the park.

de Laction Pro-

Lions from the Kruger National Park on South had any incident of rhinos Africa's eastern border, it was feared, might attack it works, but it's a little people because some of them had eaten Mozambican refu-gees fleeing into South like an untouched part of the Africa, And some of these African wild, but it took animals had the feline version of Aids.

So Pilanesberg chose Namibian lions. "They were never exposed to domestic stock. They never had any history of having killed anyone. They were a safe bet." says Ephraim Morei of the North West Parks Board. Pilanesberg's community liaison officer. "We didn't want to take the chance of picking up lions that have tasted human flesh."

Persuading elephants to behave as elephants should young bull elephants first

Recreating nature as if taken to stock Pilanesberg it was easier to carry the lighter youngsters behaved like delinquent

teenagers and began killing

Pilanesberg's wardens guessed that the problem mature "role models" to look now been brought from Kruger in a specially designed pline the wayward young-

"So far things are calm," says Mr Morei. "We haven't being attacked. It looks as if early for us to say."

money and effort to make it

Before the 58,000-hectare park was established in 1979 in what was then the nominally independent homeland of Bophuthatswana there was only limited wildlife in the area, including leopards, baboons, warthogs and

Then came Operation Genesis. In one of the world's largest translocations of game, about 8,000 animals were transported to Pilanes for food, hippos wallowing the area's capacity so that berg from elsewhere in rhinos taking a cool mud they have a safety margin in southern Africa. bath, giraffes eating the By then, thousands of vill-leaves of thorn trees and southern Africa.

mercial farmers had been

A building that once housed a police station and magistrate's court has become a café at the centre of the park, with a terrace from which animals can be seen grazing on the plains or drinking at a waterhole.

But almost every other sign of man's presence is being systematically eradi-

Alien animals - domestic transported to the park in up to. Six older bulls have cats turned wild are the best survivors - are eliminated. Workers build makeshift terraces of rocks to restore parts of the land left bare by past over-grazing and ero-

> The result is a success, not just for tourism but also for conservation. A visitor to Johannesburg with a day or two to spare can visit the park and thereby avoid the risk of malaria and the long drive to Kruger.

> And it is possible to camp or stay the night in one of Pilanesberg's chalets for a

For the casual visitor the wildlife is scarcely less spectacular than in Kruger, and there is no feeling of the the smaller commercial game reserves nearer Johan-

In the space of a few hours, one can easily see elephants smashing down trees

smaller pleasures of the African veld - a green and yellow chameleon swaying slowly across the road, the strawberry and lemon wings of a flying locust, the sun on the rocks and the secretary birds strutting across the grasslands. More than 360 species of bird have been

recorded in the park. More than 200,000 people north and to imagine what cated. Alien plants, includ- visit Pllanesberg each year, the continent was like a miling sucalyptus trees and and it benefits from its proximity to Sun City, the gan bling, golfing and holiday

> But the national park contributes to conservation as well as tourism. Its buffalo are prized for their freedom from tuberculosis. The rare black rhino has bred in the various species have been sent to stock a new game reserve at Madikwe on the Rotswana horder

"We are very, very forthnate here," says Mr Morei. "We never lost even a single

Keeping the animals as nature intended behind the park's 110-kilometre fence requires careful management. One specialist, for example, monitors the 28 hons to ensure that fathers do not mate with daughters.

And the park wardens, rather than nacking Pilanes berg to the limit, have decided to keep the number of animals at two-thirds of the area's capacity so that time of drought. The need

Neglect proves an advantage

Michela Wrong discovers the joys of the Murchison Falls, whose lack of exploitation has allowed a balanced ecosystem to develop

Perched unobtrusively in a tree, the ranger was scour-ing the horizon through a pair of binoculars. So were

We were searching the rolling savannah of the Murchison Falls National Park for one of the "Big Five" the large mammals traditionally regarded as key components of any successful game drive. He was looking for something rather more sinister: members of the guerrilla groups operat-

ing in north-west Uganda. reminder of the security issues that continue to hold the tourism industry in this part of Africa to ransom.

As with Uganda's other game parks, Murchison Falls was devastated by the political turbulence of the 1970s and 1980s, when Idi Amin's retreating army burnt and looted lodges and offices in a cynical razed-earth policy. and poaching ran out of con-

The park's remarkable recovery has seen such new arrivals as the Sarova Lodge springing up next to the grassed-over ruins left behind by Amin's men. However, this depends on its ability to keep in check the Sudanese-backed rebel movements which are challenging

the introduction of the lions,

the park.

although hunting is permit-

Pilanesberg is much

bia's Etosha pan or the Oka-

vango delta in Botswana.

But on one of its dirt roads

amid the hills it is possible,

only a short drive from

South Africa's industrial

heartland, to get a taste of

those open spaces further

the authority of the govern-That the effort is worth making is not in doubt. Neglect can have beneficial side-effects. In the case of Murchison Falls, the interim period allowed a more balanced ecosystem to develop in an area in danger of being over-grazed by elephant

The result has been one of the continent's most underexploited and enchanting of game parks. Few experiences can compare with a night dip in the open-air swimming pool at the Nile Safari tented camp, looking out over a tranquil bend in the

Here, after a cool gin and tonic served on the verandah with a bowl of freshlyroasted peanuts, you can

For any city dweller, a landscape in which the background noise consists of whirr of crickets and the liqnid burblings of tree toads, rather than the steady roar of traffic, is a delight.

In daytime the river really comes to life. A cruise up to Murchison Falls, where the Victoria Nile explodes through a six-metre gorge like an unwatched pressure cooker, takes visitors past family after family of hippos coyly draped in delicate mantles of water hyacinth.

Approaching quietly from the water, you can surprise bull elephants coming down for a drink, buffaloes wallowing in the cool mud and Colobus monkeys hunting for fruit. The boat's captain will

ram the bank to startle the crocodiles sunning themselves there. Not a practice approved by ecologists, no doubt, but the impact of seegliding menacingly towards the water within inches of For Sarova's Paraa Lodge your seat is too exciting for try 256 41 251209 or 251211. most passengers to question

But why do not more

people make the most of especially given the discounts offered at most venues, desperately trying to boost the country's rather 200 000 visitors

The trip back to Kampala is a salutary reminder of parks remain known to relatively few, despite the capital's thriving economy and Uganda's recently-acquired reputation as an African basket-case made good.

Six hours of bard driving the first part of it along teeth-shaking dirt tracks prone to frequent flooding and tse-tse fly attack - and the benefits of the stress-free days on the river swiftly begin to fade.

There is talk of introducing a helicopter to allow guests to skim over the worst of the track, and multiplying the charter flights from Entebbe, which unfor tunately only marginally reduce the time taken to get to Murchison Falls. And, as every Ugandan knows, President Yoweri Museveni is obsessed with improving the quality of the country's

But until some of those steps are taken, Murchison Falls, like so much in Africa. occasionally deliberately is likely to remain a destination for the well-briefed con-

> Both can be booked through the Phoenix travel company in Kampala on 256 41 236096

Vast landscapes and personalised viewing

Fancy bungee jumping over the shone sculptures. Victoria Falls? Then this could be for you, says Tony Hawkins

Zimbabwe is considered one of the top game-viewing destinations in Africa and one

it is a land of vast landscapes with beautiful wilderness areas. National Parks are relatively inexpensive whereas the more upmarket safari lodges in unique locations offer personalised game-viewing with specialist

The most famous attraction is Victoria Falls, which now also offers the world's wildest white water rafting and one of its highest bungee jumps off the railway bridge spanning the gorge between Zimbabwe and Zam-

include canoeing on the Zambezi, bush walking. horse trails, mountain climbing in the Eastern Highthe waters Lake Kariba with its magnificent sunsets and tions of the world-famous and Victoria Falls.

lakeside game-viewing. For a more unusual experience try elephant safaris, balloon flights or a luxurious steam rail safari reminiscent of a bygone era.

Finally there are the ancient ruins of Great Zimbelieve and the granite-monoliths and halancing rocks of Matobo National Park where you will find the world's highest concentration of pre-historic rock paintings and Cecil Rhodes'

Nearby is Zimoabwe's second city, Bulawayo, once the power base of the Ndebele kings and considered by many visitors to have more character than Harare, the port in the cities is not good Other activity pursuits capital and seat of govern-

Harare consists of a combination of modern skyscrap- between the main holiday ers which rise up beside a oung in the sastern cagnitude variety of markets and art is recommanded - between galleries, many with collec Mutare, Harare, Bulawayo

pean, North American and to guest lodges and interna-African countries do not tional hotels such as Holiday require visas, but it is advis-able to check before travelling. Travellers are advised to take malaria tablets if visiting low-lying areas, which include most game-viewing Yellow fever inoculations

are required only if coming Most regional airlines and many international airlines fly into Harare, including

Air France, British Airways, KLM, Lufthansa, Swissair, Gantas, Air Mauritius, South African Airways, Ghana Airways and Egypt Air. There is no airport bus, so travellers should either ask

for hotel transfers or take a taxi (approximately US\$5) to the city centre. Public transso taxis are the safest bet. There are daily flights and luxury coaches operating

resorts and rail - first class

Visitors from most Euro- from backpackers lodgings Inn. Great Western and Sheraton. Many businessmen prefer the centrally located Meikles Hotel in Harare. Outside the capital the

colonial style Victoria Falls Hotel, Troutbeck Inn in the Nyanga mountains, Leopard Rock - the golfer's choice in the Vumba mountains and Bumi Hills: at Lake Kartha are now facing competi tion from a fast-growing safari lodge sector. International credit cards are widely accepted

Harare and to a lesser extent Bulawayo, offer a good selection of mainly Portuguese, Italian, Greek and indian restaurants offering good, reasonably-priced food in a casual atmosphere. A favourite in landlocked

2lmbabwe is the Fishmonger, which flies fresh line fish from Cape Town. For a more expensive evening in Harare try Imba Matombo, 22 Victoria Street,

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Hotels

Equal but with different needs

Hotels and airlines could do more for their female customers, says Catherine Chetwynd

Women represent one third of business travellers - a large minority - yet many way they are treated by hotels and airlines. Receptionists often hand over a key and announce the room number. Female guests may be given hotel rooms in dark corridors, or be made to feel uncomfortable in hotel restaurants, when their male guests are presented with the wine list and bill.

Personal safety, too, is still a problem. According to recent research by Company Barclaycard, 14 per cent of their male counterparts, the women polled quoted although some of their security as one of the three most important factors when choosing accommodation, regional director of Millenand 5 per cent had the experience of their room being broken into during a botel both male and female - the stay. Car parks and video same, while being aware of surveillance in public areas the female business travelare singled out by many ler's individual needs," The

women guests. Renaissance and Choice groups both reserve spaces near the hotel shows female travellers are entrance for women. Copthorne has a policy of escortfrom its less well lit car parks where possible.

Houston and Saunders, are still not satisfied with hates having to park away from a hotel and carry her luggage some distance to check in "I have attended conferences at the Grand Hotel in Brighton, where the car park is small, and they have always been sympa-thetic," she says. "Making life easier on arrival and departure is very impor-

Nonetheless, women largely want to be treated with the same respect as requirements are different. Says Peter Taylor, UK nium and Copthorne Hotels: "We treat all our guests women as areas in need of group has looked at the issue broadly and one policy Some hotel groups are it has put into effect is to making efforts, however, to use female staff when a meet the requirements of women traveller asks for

room service. Research by Hyatt Hotels more likely to want to eat in their room but do not always like the intrusion of formal room service; prefer to iron their clothes rather than

Celia Jennings, director of rely on valet service; and property adviser, Baring, like to spend spare time relaxing in their room, taking advantage of hotel video libraries, or using health facilities.

Many women travellets do not like women-only floors, which can be a signpost to men with dublous intentions. However, executive floors are popular, particularly as they are often only accessible via a special key for the lift. Hyatt and Inter-Continental hotels both have experience of this.

Lee Sigler, European marketing manager of Sun Microsystems, says it is not surprising women choose to eat in their rooms: "Women walk alone into restaurants and are ignored. It has happened to me worldwide. You have to be loud to be noticed but you should not have to promise to be an embarrassment to get good ser-

Hotels are not alone in marginalising women travellers. Independent management consultant, Julia Colclough, has been travelling for the past 25 years and was recently voted Best Female Business Traveller in this year's Company Barclaycard

"Women are still discrimi- although we would need to and often the opportunity to nated against, and often by do operational research to meet people while travelling.

OPEN IT WHEN A MAN ARRIVES TO TRY IT FOR YOU

other women. On one flight, know whether we could I asked a British Airways sible," she adds. stewardess if she would hang up my jacket. First, she gathered up all the men's jackets, then returned to me

with a grin and said: 'Sorry,

there's no more room, I'll put it above your seat for BA is aware that woman's needs are different and two issues that crop up regularly that divide the sexes are loos and bars. "A dedicated bar area in the cabin only moti-

vates men, not women," says Club World brand manager Alison Wheal. "However, women have often requested separate loos for men and women,

meet that need. But it is fea-

There are, however, organisations dedicated to easing the stresses of women travellers. In the UK the Global Network (0171-722 9454) provides a range of services from location information to contacts at the intended destination. Registration costs £25 per person, membership

City Women's Network (01895-272178), with a membership of women professionals, provides a forum for discussion and, as a member of the International Alliance, can also give members contacts worldwide, for advice,

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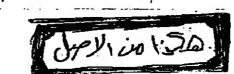
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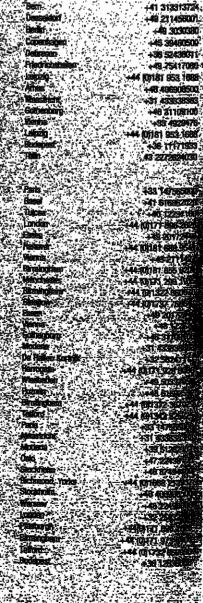
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Vitality comes to Vilnius

Michael Thompson-Noel finds the Lithuanian capital showing signs of new life after years under the Soviet yoke

Some business travellers do son's second hotel in the Balnot mind roughing it. Poor tics. Its property in Rigs, transport. Seedy hotels. Pes-Latvia, opened in 1998. tiferous sheets. Bad food. It

Other travellers, however, appreciate comfort and effiare visiting can accommodate them in the style to which they are accustomed. This is why there are so many chains of business hotels, offering - even in relatively desolate places - reliable, standardised services.

Vilnius, capital of Lithuania, used to be a desolate spot, following its long years is not desolate now. Lithuania was liberated from Soviet rule in 1990, and has

in the early 1990s, Vilnius looked ramshackle and sombre. It was as quiet as the

It has not yet been transformed, but it is livelier and more populous than it used to be. The Old Town, at its heart, is particularly striking; well lighted, almost elegant and looking busier.

first western-style, businessoriented, chain hotel: the 61room Radisson SAS Astorija

The Astorija is in Vilnius's is all the same to them. They main town square, in a are happy just to travel, so building that opened as a long as they accomplish hotel in 1901. Radisson's plan is to add another 90 rooms within two years, as ciency, and are relieved to and more business with Lithuania's emergent -

The Astorija is just what you would hope for in a smallish, centrally located have cable TV, hairdryer, food in the brasserie is good. There are conference rooms under the Soviet yoke. But it nications with the outside two of the staff (one, the mark) are Lithuanian.

Half the guests at the Astorija are Scandinavian business visitors, though a few well-heeled Russians can also be seen, which indicates that relations between Mother Russia and its former vassal state are not entirely ruptured. When I asked one of the

hotel's directors about the Russians, he said: "Ah, yes, And Vilnius now has its those Russians. Very nice people. Very quiet. Someweekend. They arrive in big cars, eat expensively -- and always pay cash. I do not



their business is, but they wear furry clothes and

the Stockholm-based Scandinavian Airlines System Europe in the next decade -26 countries in Europe, the Middle East and north Africa. Its target is to add 100 more properties by 2000 under the Radisson SAS brand, including two in Asia. At present the group has 15

a party in Vilnius to mark the Astorija's opening, I asked one of the Radisson The Astorija is managed high-ups whether the group by Radisson SAS Hotels contemplated owning, man-Worldwide, a subsidiary of aging, leasing or franchising aging, leasing or franchising other hotels in eastern (SAS), which has 94 hotels in in the light of the anticipated growth in trade and investment between eastern and western Europe, and between eastern Europe and

> "Very few," he replied. "It is not easy to operate here.

investment means recoverber of years. The timeframe must be reasonable. They

This sentiment was echoed by a Canadian businesswoman I spoke to at the Astorija's opening, who trades in linens such as draperies,

"I would like to do a lot What is needed is a fundamore business in Lithuania," mental change in investor she said. "But things are The Astorija is owned attitudes" - meaning, he pretty tough. There is too (a renovated, former Russian jointly by the Vilnius munic- explained, that business much hustling, too much ipality and by a private partners in eastern Europe greed. My Lithuanian suppli- rum. Ida Basar (modern, striptease joint in Vilnius.

too swiftly. "They have not fine work, but they are in out of the market. There are go to for merchandise."

Nevertheless, Lithuania is want their money quickly. stirring. And Vilnius is growing livelier. Nor is the Astorija the only show in

Other upmarket, businessclass hotels in Vilnius or close at hand (some of which have health spas/sauence facilities) include the Villon, Sarunas, Neringa. City Park, Mabre Residence

German-style apartments in the Old Town), Narutis (said to be a favourite of visiting sub-zero outside, and snow diplomats). Naujasis Vilnius and Stikliai.

The Stikliai sounds cool. official city guide, reckons urious, with "cushy rooms"

Another sign of the quickening pace in Vilnius is its ties, carrying a copy of your night life. After the party at passport on your person, the Astorija I visited an avoiding any situation unending number of bars. involving narcotics, avoiding pubs, dance halls and night- poorly-lit streets, and exerclubs, including the unexcit- cising vigilance in crowded ing and not at all exclusive public areas". Orthodox monestery), Cent- Ekluziva, said to be the first

was falling, so I did not stray outside the Astorija.

If I had done so, I would Vilnius In Your Pocket, the have heeded the advice of Vilnius in Your Pocket to forthe Stikliai is lavish and lux- eigners working in the Lithusnian capital. In the interand "very handsome hotel ests of safety, it recommends



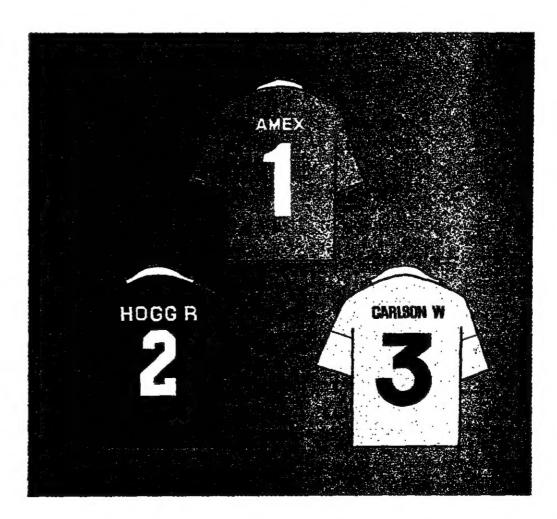
OPEN DOORS. OPEN HEARTS. OPEN MINDS.

Visitors to Hungary experience friendliness and cordial bospitality all along, also when they wish to get acquainted with the treasures of Hungarian culture. The bomeland of Zoltan Kodaly, the world famous composer and teacher of

music, is called deservedly the country of Festivals; art celebrates its festive days here throughout the year. It is not easy to choose from the rich cultural programmes offered: beside the comprehensive range of programmes of the Spring and Autumn Festivals, various branches of art go on parade. The list includes the Folklore and Old Crafts' Festival, organ concerts, an Opera and Ballet Festival, open-air performances, medicial games, theatres, museums and galleries. Alongside these events, the traveller may admire the wonderful historic monuments of the country. Hungary does not only offer you a vacation rich in cultural experience - wherever you come from, you will encounter heartfelt Hungarian hospitality. too.

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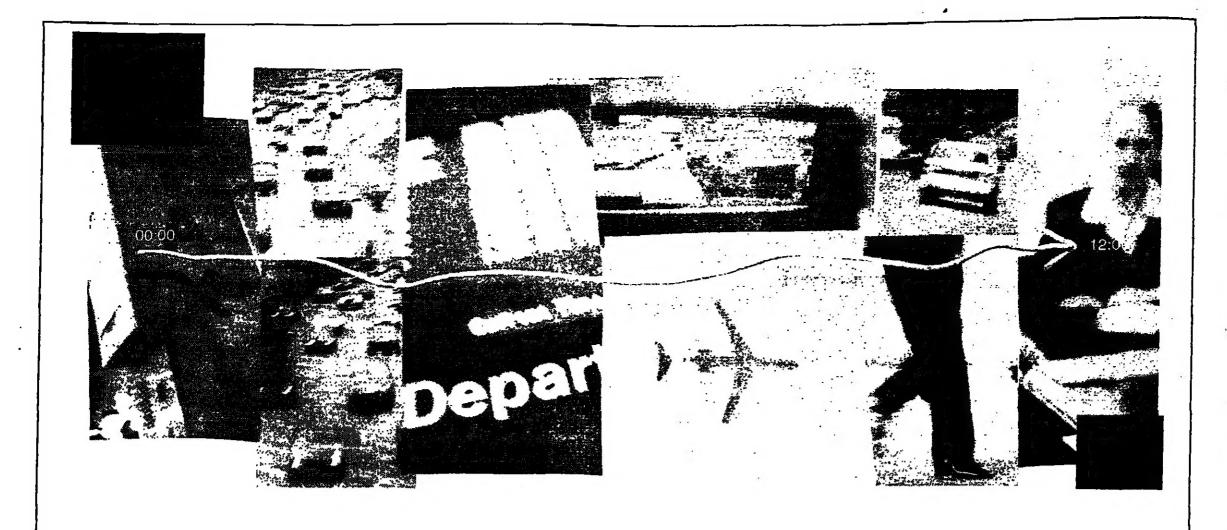
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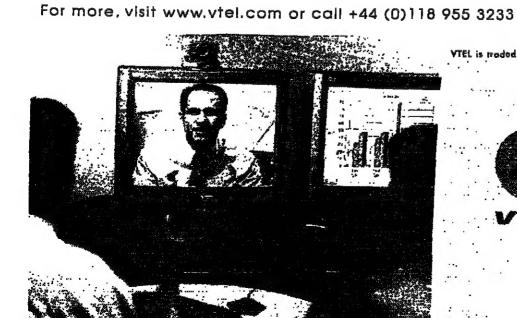
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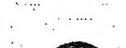




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